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United Nations Office on Drugs and Crime

Financial report and audited financial statements

for the biennium ended 31 December 2007

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-third Session
Supplement No. 5I

General Assembly
Official Records
Sixty-third Session
Supplement No. 51

United Nations Office on Drugs and Crime

Financial report and audited financial statements

for the biennium ended 31 December 2007

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Report of the Board of Auditors

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Note

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Letters of transmittal

18 April 2008

In accordance with General Assembly resolutions 46/185 C of 20 December 1991 and 61/252 of 22 December 2006, I have the honour to submit the accounts of the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund for the biennium ended 31 December 2007.

Copies of these financial statements are also being transmitted to the Commission on Narcotic Drugs, the Commission on Crime Prevention and Criminal Justice and the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Antonio Maria **Costa**
Executive Director
United Nations Office on Drugs and Crime

The Chairman of the Board of Auditors
United Nations
New York

30 June 2008

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Office on Drugs and Crime for the biennium ended 31 December 2007.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France and
Chairman, United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2007

A. Introduction

1. The financial statements of the Fund of the United Nations International Drug Control Programme established pursuant to General Assembly resolution 45/179 and the United Nations Crime Prevention and Criminal Justice Fund established pursuant to Assembly resolution 46/152 for the biennium ended 31 December 2007 have been prepared in accordance with rule 106.10 of the Financial Regulations and Rules of the United Nations and article XV of the Financial Rules of the Fund of the United Nations International Drug Control Programme.

2. In accordance with General Assembly resolutions 46/185 C and 61/252, the Executive Director of the United Nations Office on Drugs and Crime (UNODC) is responsible for the accounts of the Funds of the Drug Control Programme and of the Crime Programme and for submitting those accounts and related financial statements to the Board of Auditors, the Commission on Narcotic Drugs, the Commission on Crime Prevention and Criminal Justice and the General Assembly.

3. The financial statements for the biennium ended 31 December 2007 present a consolidated account of the Drug Programme and Crime Programme Funds and separate accounts for each of the Funds. A summary of significant accounting policies applied in the preparation of these statements are included as notes to the financial statements. Those notes and the accompanying schedules provide additional information and clarification on the activities undertaken by UNODC during the period covered by the statements.

4. Copies of the financial statements are made available to the Commission on Narcotic Drugs, the Commission on Crime Prevention and Criminal Justice, the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors and the United Nations Controller.

B. Overview

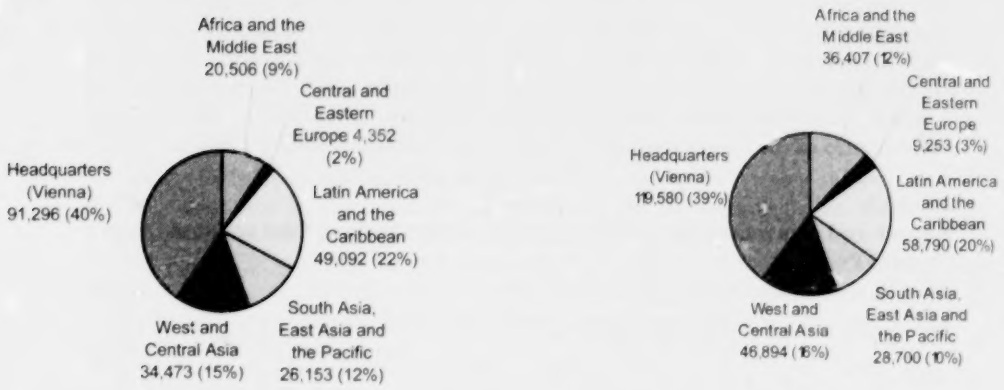
5. UNODC is mandated to assist Member States in their struggle against illicit drugs, crime and terrorism in all its forms and manifestations. The confidence of Member States, the European Commission and other donors in the ability of UNODC to provide this assistance was demonstrated in the biennium 2006-2007 by a 28 per cent increase in voluntary contributions to the Fund of the United Nations International Drug Control Programme and a 69 per cent increase in voluntary contributions to the United Nations Crime Prevention and Criminal Justice Fund. In return, UNODC worked hard to maintain this confidence and to increase programme delivery. In this regard, expenditure increased by 15 per cent and 165 per cent for the Drug Programme Fund and the Crime Programme Fund respectively. The allocation of United Nations regular budget resources to UNODC in the biennium 2006-2007 remained stable in real terms. These figures are summarized in table I.1 below.

Table I.1
Income and expenditure of the United Nations Office on Drugs and Crime, by source of funding
(Thousands of United States dollars)

	Biennium			
	2004-2005		*2006-2007*	
	Income	*Expenditure*	*Income*	*Expenditure*
Drug Programme Fund	193 868	165 607	249 077	189 933
Crime Programme Fund	68 257	28 012	115 250	74 226
Regular budget	32 809	32 254	35 865	35 465
Total	**294 934**	**225 873**	**400 193**	**299 624**

6. Although the overall increases in expenditure shown in table I.1 above were seen in all regions of the world, growth was particularly significant in Africa and the Middle East, mainly owing to the launching of a large anti-corruption programme in Nigeria. Significant growth was also recorded in West and Central Asia, primarily because of the expansion of the programme in Afghanistan. Significant increases in expenditure were also recorded in Latin America and the Caribbean, as a result of increases in contributions from Brazil and Colombia, and in Central and Eastern Europe following the launching of a large drug demand reduction programme and as a result of increases in contributions to global programmes such as those on HIV/AIDS and terrorism prevention. Expenditure changes from the biennium 2004-2005 to the biennium 2006-2007 are shown in figure I.I below. It should be noted that the expenditure shown for UNODC headquarters (Vienna) includes those from voluntary contributions and from the United Nations regular budget covering executive direction and management, global programmes and programme support.

Figure I.I
Expenditure of the United Nations Office on Drugs and Crime, by region
(Thousands of United States dollars)


2004-2005
Africa and the Middle East 20,506 (9%)
Central and Eastern Europe 4,352 (2%)
Latin America and the Caribbean 49,092 (22%)
South Asia, East Asia and the Pacific 26,153 (12%)
West and Central Asia 34,473 (15%)
Headquarters (Vienna) 91,296 (40%)
2006-2007
Africa and the Middle East 36,407 (12%)
Central and Eastern Europe 9,253 (3%)
Latin America and the Caribbean 58,790 (20%)
South Asia, East Asia and the Pacific 28,700 (10%)
West and Central Asia 46,894 (16%)
Headquarters (Vienna) 119,580 (39%)

7. The distribution of expenditure in the bienniums 2004-2005 and 2006-2007 within broad categories is shown in table I.2 below. Proportionally higher growth in expenditure on travel, contractual services and staff and other personnel costs are reflective of the global growth in UNODC activities and the move away from infrastructure and other capital-intensive projects towards the provision of expert technical assistance.

Table I.2
Expenditure of the United Nations Office on Drugs and Crime, by object of expenditure
(Thousands of United States dollars)

	Biennium	
Object of expenditure	*2004-2005*	*2006-2007*
Staff and other personnel costs	119 234	154 508
Travel	12 501	18 755
Contractual services	33 930	53 351
Operating expenses	12 817	17 343
Acquisitions	26 983	28 102
All other expenses	20 408	27 565
Total	**225 873**	**299 624**

8. Statements I, II and VII and schedules 1, 4 and 5 of the accounts of UNODC summarize the consolidated results of activities funded from the Drug Programme Fund and the Crime Programme Fund, which account for all UNODC activities other than those funded by the United Nations, primarily from its regular budget.

1. Fund of the United Nations International Drug Control Programme

9. Statements III and IV and schedule 2 of the financial statements summarize the accounts of the Fund of the United Nations International Drug Control Programme. The corresponding notes explain the accounting policies applied in the preparation of the statements and provide additional information and clarification of the financial activities undertaken during the biennium 2006-2007. The financial performance of the Drug Programme Fund is summarized in table I.3 below.

Table I.3
Income and expenditure of the Fund for the United Nations International Drug Control Programme
(Thousands of United States dollars)

	Biennium			
	2004-2005		*2006-2007*	
	Income	*Expenditure*	*Income*	*Expenditure*
General-purpose funds	43 293	45 489	42 422	39 662
Special-purpose funds	159 799	129 342	220 275	163 890
Eliminations[a]	(9 224)	(9 224)	(13 619)	(13 619)
Total	**193 868**	**165 607**	**249 077**	**189 933**

[a] Eliminations remove double-counting of income and expenditure for programme support charges levied on special-purpose funds and credited to general-purpose funds.

10. General-purpose funds are un-earmarked resources that finance the executive direction and management of UNODC, as well as programme and programme support costs both at headquarters (Vienna) and in the field. They are also used to provide advances for projects and other field operations. In 2006-2007, the general-purpose fund category included un-earmarked voluntary contributions and programme support resources recovered through the application of a charge against activities funded from special-purpose contributions. Special-purpose funds are earmarked voluntary contributions that finance UNODC's technical cooperation and other substantive activities at headquarters (Vienna) and in the field. Starting in the biennium 2008-2009, UNODC will record and report income earned from programme support costs levied on special-purpose contributions as a separate category of funds. In previous bienniums such resources were classified as general-purpose funds. This change has been approved in resolutions 50/14 and 16/6 of the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice, respectively.

11. General-purpose income, comprised of voluntary contributions, funds received under inter-organizational arrangements, special-purpose contributions, interest and miscellaneous income, declined by $0.9 million (2 per cent) from $43.3 million in

the biennium 2004-2005 to $42.4 million in the biennium 2006-2007. Total income from voluntary contributions declined by $5.4 million (17 per cent) from $31.3 million in the biennium 2004-2005 to $25.9 million in the biennium 2006-2007. This decline was largely offset by a $4.3 million (48 per cent) increase in income from special-purpose contributions, from $9.2 million in the biennium 2004-2005 to $13.6 million in the biennium 2006-2007. Interest and miscellaneous income increased marginally by $0.1 million in the biennium 2006-2007 compared with the biennium 2004-2005. General-purpose fund expenditure declined by $5.7 million (12 per cent) from $45.4 million in the biennium 2004-2005 to $39.7 million in the biennium 2006-2007. A reduction in expenditure was achieved through efficiency measures, including freezing of posts and assignment of a larger share of operating costs to projects.

12. Income from special-purpose funds increased by $60.3 million (38 per cent) from $160 million in the biennium 2004-2005 to $220.3 million in the biennium 2006-2007. Expenditure of special-purpose funds increased by $34.6 million (27 per cent) from $129.3 million in the biennium 2004-2005 to $163.9 million in the biennium 2006-2007. Growth was especially marked in Central and Eastern Europe, Latin America and the Caribbean and West and Central Asia and in the global programme for HIV/AIDS prevention.

2. United Nations Crime Prevention and Criminal Justice Fund

13. Statements V and VI and schedule 3 of the financial statements summarize the accounts of the United Nations Crime Prevention and Criminal Justice Fund. The corresponding notes explain the accounting policies applied in the preparation of the statements and provide additional information and clarification of the financial activities undertaken during the biennium 2006-2007. The financial performance of the Crime Programme Fund is summarized in table I.4 below.

Table I.4
Income and expenditure of the United Nations Crime Prevention and Criminal Justice Fund
(Thousands of United States dollars)

	Biennium			
	2004-2005		*2006-2007*	
	Income	*Expenditure*	*Income*	*Expenditure*
General-purpose funds	5 290	3 794	8 700	8 663
Special-purpose funds	64 939	26 190	111 251	70 264
Eliminations[a]	(1 972)	(1 972)	(4 701)	(4 701)
Total	**68 257**	**28 012**	**115 250**	**74 226**

[a] Eliminations remove double-counting of income and expenditure for programme support charges levied on special-purpose funds and credited to general-purpose funds.

14. General-purpose income increased by $3.4 million (64 per cent) from $5.3 million in 2004-2005 to $8.7 million in 2006-2007. Total income from voluntary contributions increased by $1 million (42 per cent) from $2.4 million in

the biennium 2004-2005 to $3.4 million in the biennium 2006-2007. Income from special-purpose contributions increased by $2.7 million (138 per cent) from $2 million in the biennium 2004-2005 to $4.7 million in the biennium 2006-2007. Interest and miscellaneous income decreased marginally by $0.3 million in the biennium 2006-2007. General-purpose fund expenditure increased by $4.9 million (129 per cent) from $3.8 million in the biennium 2004-2005 to $8.7 million in the biennium 2006-2007. Expenditure increases in general-purpose funds were necessary to sustain and support the significant increase in programme activities, including those funded from special-purpose funds.

15. Special-purpose fund income increased by $46.4 million (71 per cent) from $64.9 million in the biennium 2004-2005 to $111.3 million in the biennium 2006-2007. Special-purpose fund expenditure increased by $44.1 million (169 per cent), from $26.2 million in the biennium 2004-2005 to $70.3 million in the biennium 2006-2007. Growth was especially marked in Africa, the Middle East and West and Central Asia and in the global programme for terrorism prevention.

3. Regular budget resources

16. Regular budget resources for UNODC are approved by the General Assembly on the basis of sections 16 and 22 of the programme budget (see A/60/6 (Sect. 16) and A/60/6 (Sect. 22) for the biennium 2006-2007 and A/62/6 (Sect. 16) and A/62/6 (Sect. 22) for the biennium 2008-2009). These resources will be reflected in the financial report and audited financial statements of the United Nations for the biennium ended 31 December 2007 (A/63/5 (Vol. I)). A summary of UNODC's regular budget expenditure against allotments for sections 16 and 22 of the programme budget in 2006-2007 is shown in table I.5 below.

Table I.5
Allocation and expenditure of the United Nations Office on Drugs and Crime, regular budget
(Thousands of United States dollars)

	Biennium			
	2004-2005[a]		*2006-2007*[b]	
Object of expenditure	*Allocation*	*Expenditure*	*Allocation*	*Expenditure*
Salaries and other personnel costs	28 007	27 580	30 593	30 372
Travel	2 473	2 364	2 474	2 321
Contractual services	1 084	1 087	902	1 030
Operating expenses	661	655	747	729
Acquisitions	490	490	599	617
All other expenses	94	78	550	395
Total	**32 809**	**32 254**	**35 865**	**35 465**

[a] Includes sections 16, 17 and 22 of the programme budget.
[b] Includes sections 16 and 22 of the programme budget.

17. The regular budget allocation to UNODC is adjusted for changes in exchange rates and inflation. In terms of purchasing power, the difference between allocations in the biennium 2004-2005 and in the biennium 2006-2007 was negligible.

4. Challenges and changes in the biennium 2006-2007 and the biennium 2008-2009

18. Over the past two bienniums (2004-2005 and 2006-2007) UNODC has attracted substantial increases in total funding. These increases relate exclusively to special-purpose funds and seem to reflect a structural change in funding trends. While this is a positive development, in particular, where the increase represents multi-year project commitments, the rapid growth in special-purpose funds has placed considerable strain on UNODC's programme and programme support services. Most of the voluntary contributions are explicitly earmarked to specific projects and leave little operating flexibility to respond to complex programmatic and management challenges. This growth and the substantive, financial, human and other management risks that accompany it, must be mitigated by sustainable increases in resources from general-purpose funds. Unfortunately, income from general-purpose funds has declined, while UNODC's regular budget has remained static in real terms. This divergence between the decline in general-purpose fund contributions and growth in special-purpose funds may sharpen even further, since UNODC expects a continued increase in project volume for new mandates related to the implementation of the United Nations Convention against Corruption and the United Nations Convention against Transnational Organized Crime.

Figure I.II
Total income of the Fund of the United Nations International Drug Control Programme, by type of funding
(Thousands of United States dollars)

19. The long-term decline in income from general-purpose funds slowed in 2004-2005 and showed modest signs of recovery in 2006-2007. This recovery did not keep pace with income from special-purpose funds and UNODC's ongoing dependence on a small number of donors continues to create special challenges. From 1992 to 1998, average annual general-purpose fund contributions to the Fund

of the Drug Control Programme were $21 million. From 1999 to 2005, these had declined to $16 million. In 2006 the income of the Drug Control Programme Fund from general-purpose funds was $14.6 million and in 2007 it further declined to $14.2 million. However, total income from general-purpose funds, as shown in figure I.II above, increased in the biennium 2006-2007 because the portion of income to general-purpose funds from special-purpose contributions increased owing to improved programme delivery. The combination of increased income from special-purpose contributions, interest earnings and cost efficiencies has improved the balance of general-purpose funds in the Fund of the Drug Programme but this improvement is still insufficient in respect of annual commitments against its constituent general-purpose fund and special-purpose contribution budgets. The situation in respect of the Crime Programme Fund is even more precarious, where the balance of general-purpose funds as at 31 December 2007 was $6.6 million (of which $1.8 million was attributable to special-purpose contributions). Moreover, starting in 2008 the Crime Programme Fund will be required to bear a 25 per cent share of UNODC's total general-purpose budget, as compared with sharing only 25 per cent of its field office costs in the biennium 2006-2007. This percentage is based on the Crime Programme Fund's share of UNODC's total special-purpose project portfolio and will require a significant increase in general-purpose fund contributions in the biennium 2008-2009. If this increase is not forthcoming, the related cash balance will decline substantially. If additional general-purpose contributions are not forthcoming, UNODC will have to implement cost-reduction measures during the course of the biennium 2008-2009. It should also be noted that the Crime Programme is currently dependent on a single donor for almost 50 per cent of its general-purpose income.

20. In resolutions 50/14 and 16/6 on UNODC's consolidated budget for the biennium 2008-2009 (E/CN.7/2007/17-E/CN.15/2007/18), the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice, respectively, requested the Executive Director of UNODC to submit an annual report on ways and means of improving the financial situation of UNODC, including the situation of the field offices. In response to a report prepared pursuant to those resolutions (E/CN.7/2008/11-E/CN.15/2008/15), the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice decided to establish an intergovernmental working group to review and make recommendations aimed at strengthening the financing of UNODC and its associated governance arrangements (decision 51/1 and decision 17/2, respectively).

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements of the United Nations Office on Drugs and Crime (UNODC) for the biennium ended 31 December 2007. The audit was carried out through two visits to UNODC headquarters in Vienna and at the UNODC Regional Centre for East Asia and the Pacific in Bangkok.

The Board issued an unqualified opinion on the financial statements for the period under review, as reflected in chapter III of the present report.

Coordination with internal audit

The Board coordinated with the Office of Internal Oversight Services (OIOS) in the planning of the audit in order to avoid duplication of effort. In addition, the Board reviewed the internal audit coverage of the operations of UNODC to assess the extent to which reliance could be placed on the work of OIOS.

Follow-up to previous recommendations

In response to the request of the Advisory Committee on Administrative and Budgetary Questions and in line with paragraph 7 of General Assembly resolution 59/264 A, the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated the biennium in which such recommendations were first made.

Financial overview

For the period under review, total income was $364 million, compared with $262 million for the previous biennium, an increase of 39 per cent. Total expenditure amounted to $264 million, compared with $194 million for the previous biennium, an increase of 36 per cent. This resulted in an excess of income over expenditure of $100 million, compared with an excess of $68 million for the preceding biennium.

Budgetary structure

Although the presentation of the financial statements has been consolidated, UNODC's budget structure continues to be characterized by high levels of fragmentation between its two programmes, the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Programme.

Staff costs

UNODC shares administrative services such as financial management with the United Nations Office at Vienna. It was not possible to arrive at a precise breakdown between staff and related costs between the United Nations Office at Vienna and UNODC, inasmuch as part of the work carried out by the United Nations Office at Vienna was on behalf of UNODC.

Assignment of field office costs

The Board noted that field offices were distributing fixed costs to projects without predetermined criteria and is of the view that UNODC should establish a method for the distribution of office management costs according to objective criteria.

End-of-service and post-retirement liabilities

The amount reported as liabilities for end-of-service and post-retirement liabilities consisted of $13.809 million for after-service health insurance and $4.948 million for the balance of unused leave days and repatriation benefits.

Non-expendable property

Paragraph 3.6 of administrative instruction ST/AI/2003/5 states that the management of each department or office must ensure that an exhaustive inventory of property of all types belonging to the United Nations is carried out every two years. As UNODC could not present the results of recent inventories, the Board concluded that this regulatory provision had not been complied with.

Recommendations

The Board has made a number of recommendations based on its audit. The main recommendations are set out in paragraph 8 of the present report.

A. Introduction

1. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the management of the United Nations Office on Drugs and Crime (UNODC) for the financial period from 1 January 2006 to 31 December 2007 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto (see ST/SGB/2003/7) and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion on whether the financial statements were a fair representation of the financial position of UNODC as at 31 December 2007 and of the results of its operations and cash flows for that financial period, in accordance with United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit also included a general review of financial systems and internal controls and a sample examination of the accounting records and other supporting evidence to the extent considered necessary by the Board to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under financial regulation 7.5. This requires the Board to make observations on the efficiency of the financial procedures, the accounting system and the internal financial controls of UNODC and generally on the administration and management of its operations. The General Assembly has also requested the Board to follow up and report on implementation of its previous recommendations. These matters are addressed in paragraphs 10 to 21 below.

4. The Board continued to report the results of audits to UNODC in the form of management letters containing detailed observations and recommendations, which allowed for an ongoing dialogue with the UNODC administration. Two management letters were issued concerning the biennium under review.

5. Where observations in the present report refer to specific locations, such observations are limited to the location specified. There is no implication that they either apply or do not apply to other locations.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the UNODC administration, whose views have been appropriately reflected in the report.

2. Coordination with internal audit

7. The Board continued to coordinate with the Office of Internal Oversight Services (OIOS) in the planning of its audit in order to avoid duplication of effort and to determine the extent to which reliance could be placed on the work of OIOS.

3. Main recommendations

8. The Board's main recommendations are that UNODC:

(a) **Reflect income not on the basis of the amount of the contribution but in accordance with United Nations system accounting standards (para. 14);**

(b) **Continue to strengthen the checks put in place to ensure that field offices strictly respect the Financial Regulations and Rules of the United Nations (para. 33);**

(c) **Make proposals to the General Assembly to improve the budgetary structure of UNODC (para. 37);**

(d) **Determine the allocation of common staff costs between UNODC and the United Nations Office at Vienna and disclose the assumptions made for the allocation (para. 49);**

(e) **Implement a strategy for the reorganization of the Regional Centre for East Asia and the Pacific in order to re-establish programme management and ensure that the Centre remains financially sustainable (para. 71);**

(f) **Set up specific funding for end-of-service and post-retirement liabilities, notably for after-service health insurance coverage (para. 77);**

(g) **Require that field offices send periodically to the Director of the Operations Division a report on work carried out by consultants (para. 90);**

(h) **Adopt internal instructions on the prevention, detection and reporting of cases of fraud and alleged fraud (para. 106).**

9. Other recommendations made by the Board appear in paragraphs 40, 46, 52, 54, 59, 61, 73, 83, 85, 88 and 94 of the present report.

B. Detailed findings and recommendations

1. Follow-up to previous recommendations

10. In accordance with paragraph 7 of General Assembly resolution 51/225, the Board reviewed the actions taken by UNODC to implement the recommendations made in its report A/61/5/Add.9 for the biennium ended 31 December 2005.

11. Out of a total of 31 recommendations, 19 have been implemented in full, seven were under implementation and five had not been implemented. These recommendations are shown in detail in the annex to the present chapter.

Recommendations not implemented

12. In paragraphs 34 to 37 of its previous report (A/61/5/Add.9, chap. II), the Board noted that earmarked contributions were recorded when received except for those received in advance and of a large amount. In that case, income was deferred to future periods, because otherwise their exceptional size would materially distort operational results and fund balances. The Board noted that United Nations accounting standards did not permit a different accounting treatment depending on the size of the contribution and recommended that UNODC correctly reflect income

not on the basis of the size of the contribution but on the basis of the period to which it pertained.

13. UNODC explained that in determining amounts to be shown as deferred income, materiality should be taken into account. However, the Board is of the view that all amounts received for future years should be shown as deferred income, irrespective of materiality.

14. **UNODC agreed with the Board's reiterated recommendation to reflect income not on the basis of the amount of the contribution but in accordance with United Nations system accounting standards.**

15. In paragraph 53 of its previous report, the Board observed that the financial statements were being prepared using two different sources, the Integrated Management Information System (IMIS) and the Programme and Financial Information Management System (ProFi), and that the statements had not been fully reconciled at the time of the Board's audit. UNODC agreed with the Board's recommendation to adjust both information systems in order to avoid further discrepancies in recording of expenditure.

16. The Board noted during its audit in 2007 that the two systems were still being used in preparing the financial statements and that this was leading to disparities. The Board addresses this topic later in the present report.

17. In paragraph 83 of its previous report, the Board recommended that UNODC conduct regular physical inventories at its headquarters. The Board noted that this was still not being done. The Board's additional observations appear later in the present report.

18. In paragraphs 91 and 96 of its previous report, the Board recommended that UNODC establish procurement plans and comply with the provisions of the Procurement Manual. UNODC explained that it was still facing the problem of training its staff at headquarters and in the field offices.

19. In paragraph 113 of the previous report, the Board recommended that UNODC carry out computer security tests. UNODC explained that, for technical reasons, it was not able to implement the recommendation.

Ageing of previous recommendations

20. As requested by the Advisory Committee on Administrative and Budgetary Questions (see A/59/736, para. 8), the Board analysed the ageing of recommendations made in previous reports that were partially or not yet implemented. The period in which each recommendation was first made is indicated in the annex to the present report.

21. Out of the seven recommendations that have been partially implemented and the five for which implementation has not commenced, 10 (84 per cent) pertain to the biennium 2004-2005, one (8 per cent) pertains to the biennium 2000-2001 and one (8 per cent) pertains to the biennium 1998-1999.

2. Financial overview

Key financial indicators

22. During the biennium 2006-2007, the ratio of outstanding voluntary contributions to total assets increased from 14 per cent to 34 per cent as shown in table II.1. The ratio of cash to liabilities decreased from 1.53 to 1.03, owing to the recognition of end-of-service liabilities on the face of the financial statements.

Table II.1
Ratios of key financial indicators

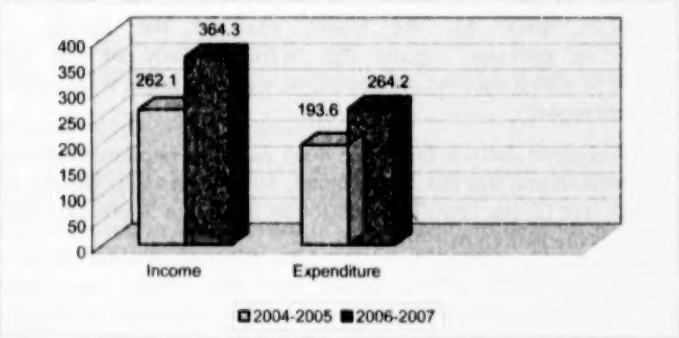
	Biennium		
Ratio	*2004-2005*	*2006-2007*	*Components of 2007 ratio*[a]
Voluntary contributions outstanding/total assets[b]	0.14	0.34	157.4/464.2
Cash/total assets[c]	0.52	0.46	213.9/464.2
Cash/total liabilities[d]	1.53	1.03	213.9/207.7
Unliquidated obligations/total liabilities[e]	0.06	0.05	11.2/207.7

[a] In millions of United States dollars.
[b] A low indicator depicts a healthy financial position.
[c] A high indicator depicts a healthy financial position.
[d] A low indicator is a reflection that insufficient cash is available to settle debts.
[e] A low indicator is a positive reflection that obligations are being liquidated.

3. Statement of income and expenditure

23. As at 31 December 2007, total income amounted to $364.3 million and total expenditure amounted to $264.2 million, resulting in an excess of $100.1 million. Figures corresponding to the 2004-2005 and 2006-2007 bienniums are given in figure II.I.

Figure II.I
Comparison of income and expenditure, 2004-2005 and 2006-2007
(Millions of United States dollars)



24. The financial statements for the biennium 2006-2007 show for the first time the consolidation of the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund. To enable a comparison with the previous period, UNODC restated the previous biennium.

25. Neither the financial statements nor their notes track the sums paid in respect of the regular budget or how they were used by UNODC. Details of UNODC income and expenditure including funds from the regular budget are given in table II.2.

Table II.2
Income and expenditure by fund, 2004-2005 and 2006-2007
(Millions of United States dollars)

	2004-2005			*2006-2007*		
	Income	*Expenditure*	*Balance*	*Income*	*Expenditure*	*Balance*
Drug Programme Fund	193.9	165.6	28.3	249.1	189.9	59.2
Crime Programme Fund	68.2	28.0	40.2	115.2	74.2	41.0
UNODC total	**262.1**	**193.6**	**68.5**	**364.3**	**264.1**	**100.2**
Regular budget	32.8	32.3	0.5	35.9	35.5	0.4
Grand total	**294.9**	**225.9**	**69.0**	**400.2**	**299.6**	**100.6**

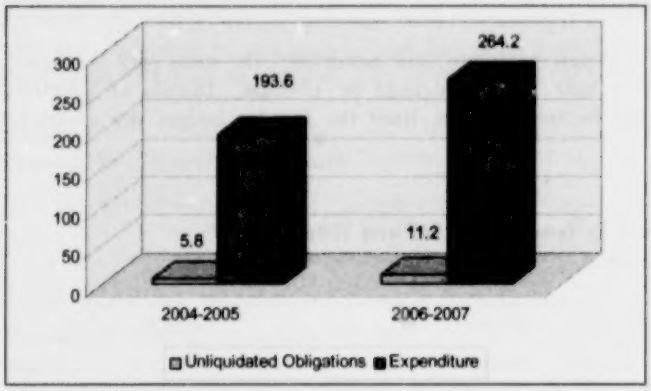
Source: United Nations Office on Drugs and Crime.

26. The main reasons for the increase in consolidated expenditure ($70.5 million or 36 per cent without the regular budget and $73.7 million or 33 per cent including the regular budget) were: (a) the launching of a huge anti-corruption drive in Nigeria; (b) the expansion of programmes in Afghanistan and in Latin America, with a significant increase in voluntary contributions from Brazil and Colombia; (c) the launching of a drug programme in Central Europe; and (d) the development of significant programmes to prevent HIV/AIDS and terrorism.

Unliquidated obligations

27. At 31 December 2007, the amount of unliquidated obligations amounted to $11.2 million, 4 per cent of total expenditure. In figure II.II, unliquidated obligations are compared with total expenditure for the 2004-2005 and 2006-2007 bienniums.

Figure II.II
Unliquidated obligations compared with total expenditure
(Millions of United States dollars)



Unauthorized expenditure

28. The Board noted three cases of expenditure made without authorization, in violation of regulation 5.9 of the Financial Regulations and Rules of the United Nations which stipulates that expenses may be incurred only after allotments or other appropriate authorization has been made in writing under the authority of the Secretary-General.

29. In 2006, the UNODC Regional Office for East Africa in Nairobi disbursed $77,397 from the local bank account for the execution of a project. The Office made these payments in excess of the budget amount that had been allotted and did not wait for an additional allotment, which was in the process of being approved by UNODC headquarters in Vienna.

30. In Colombia, disbursements were made for two projects with sums exceeding the budget amount that had been allotted for 2006. Payments for a project were made in 2006 before the corresponding issuance of budgetary authorization, which took place in 2007. The UNODC Country Office in Colombia was able to make these payments without the prior authorization of UNODC headquarters in Vienna because the Office had access to funds paid locally by Colombian donors and because control over the Country Office by UNODC headquarters was inadequate.

31. In October 2006, the UNODC Regional Office for Brazil and the Southern Cone paid $2,503,594 more than the allotment for a project. This expenditure was not authorized by UNODC headquarters in Vienna. The unauthorized payments were possible because funds received from donors were deposited directly to a local bank account.

32. As a result of these cases, at the end of 2006 and during 2007 the Financial Resources Management Service of UNODC in Vienna took various measures to enhance control over disbursements in field offices, including checking investment accounts, strengthening controls over the budget and cash held in banks, better monitoring of locally received contributions, monthly reviews of the status of accrued income and charges and providing offices with qualified accounting staff.

33. **UNODC agreed with the Board's recommendation to continue to strengthen the checks put in place to ensure that field offices strictly respect the Financial Regulations and Rules of the United Nations.**

4. Budgetary structure

34. In February 2008, at the joint request of the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice, UNODC produced for the first time a report on how to improve its budgetary and financial structure, which was characterized by high levels of fragmentation. The budget for the United Nations International Drug Control Programme is approved by the Commission on Narcotics Drugs and the budget for the United Nations Crime Prevention and Criminal Justice Programme is approved by the Commission on Crime Prevention and Criminal Justice. The share of the regular United Nations budget assigned to UNODC is approved by the General Assembly.

35. Although the presentation of the two programmes has been consolidated, UNODC continues to prepare two distinct draft budgets. The first budget is for United Nations Headquarters with a view to its integration into the general United Nations budget. The second budget accounts for voluntary contributions made to the United Nations International Drug Control Programme and the Crime Prevention and Criminal Justice Programme.

36. The report on improving UNODC's budgetary and financial structure issued in February 2008 stated that budget management could be improved by holding joint sessions of the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice and the consolidation of the current Funds of the two programmes within a UNODC fund or the consolidation of the two Funds within the United Nations budget.

37. **The Board recommends that the Secretary-General make proposals to the General Assembly to improve the budgetary structure of UNODC.**

5. Contributions in kind

38. The Board recommended in its report A/61/5/Add.9 that contributions in kind should be entered into the financial statements at their market value, that evaluations should be carried out as close as possible to the place of donation and that contributions should be subject to internal controls.

39. For the 12-month period ended 31 December 2007, contributions in kind amounted to a total of $9,762,793, a significant decrease from the previous 12-month period ended 31 December 2006, during which contributions had amounted to $12,840,565. No internal controls were in place to ensure the appropriate valuation of these contributions in kind. Certain contributions even appeared without a description in the related financial documents.

40. **UNODC agreed with the Board's recommendation that its Financial Resources Management Service should carry out an internal audit to place a value on contributions made in kind before they are integrated into the financial statements.**

6. Implementing partners

41. Out of more than $213 million worth of expenditure linked to projects, $92.6 million was undertaken directly by UNODC and $121 million was undertaken by implementing partners. The main implementing partners of UNODC were the United Nations Development Programme ($68.5 million), the United Nations Office for Project Services ($22.5 million) and the Food and Agriculture Organization of the United Nations ($3 million).

42. Details of expenditure by implementing partners are shown in table II.3.

Table II.3
Expenditure linked to projects by implementing partners
(Millions of United States dollars)

Entity	*General purpose*	*Special purpose*	*Total*	*Share of total (percentage)*
UNODC	2 435	90 223	92 658	43
Implementing partners				
United Nations agencies		94 780	94 780	44
Non-governmental organizations		1 260	1 260	1
National implementation		25 064	25 064	12
Total	**2 435**	**211 327**	**213 762**	**100**

Source: United Nations Office on Drugs and Crime.

Certification of implementing partners' expenses

43. The verification of expenses made within the framework of projects entrusted to the different partners of UNODC is a mandatory requirement. In its previous report (A/61/5/Add.9), the Board recommended that the scope of auditing of expenses incurred by implementing partners should be expanded.

44. Expenditure for projects completed in partnership with Member States or with intergovernmental or non-governmental organizations are audited by external auditors, who submit their audit reports to UNODC. Three months after the closing date of the accounts, the rate of audit certificates received was 98 per cent for the biennium 2006-2007, as against just 63 per cent in April 2006 for the biennium 2004-2005. As at 1 March 2008, all audit certificates had been received by UNODC for the biennium 2004-2005. The Board commends these results, which were achieved thanks to the efforts of UNODC.

Mandate of external auditors

45. The Board checked three audit reports during its audit. None of them contained any element concerning the examination of unliquidated obligations at the end of the biennium. However, according to rule 105.8 of the Financial Regulations and Rules of the United Nations, periodic examination of unliquidated obligations is mandatory.

46. **UNODC agreed with the Board's recommendation to specify in the mandates entrusted to external auditors that the audit of expenditure by implementing partners should also include a review of unliquidated obligations at the period closure date.**

7. Staff costs

47. Table II.4 below shows the consolidated staff costs for UNODC.

Table II.4
Staff costs, 2004-2005 and 2006-2007
(United States dollars)

Staff costs	*2004-2005*	*2006-2007*	*Total*
Non-earmarked	37 261 369	41 319 128	78 580 497
Earmarked	54 228 978	83 951 746	138 180 724
Total	**91 490 347**	**125 270 874**	**216 761 221**

Source: United Nations Office on Drugs and Crime and United Nations Office at Vienna.

48. UNODC's staff costs increased by 37 per cent from the biennium 2004-2005. This growth was particularly notable for expenditure on projects financed by earmarked contributions. The UNODC Division for Management provides advisory, financial, human resources, information technology and representational services for all United Nations Secretariat entities at Vienna and has common services with the United Nations Office at Vienna Division for Management. It was not possible to allocate staff costs and related costs between the United Nations Office at Vienna and UNODC because the administration lacks a method to determine the allocation of staff between these two entities.

49. **The Board recommends that UNODC, in conjunction with the United Nations Office at Vienna, determine the allocation of common staff costs between them and disclose the assumptions made for that allocation.**

8. Bank accounts

United Nations Office at Vienna/UNODC bank accounts

50. In a letter dated 24 February 2006 the United Nations Treasurer in New York asked Citibank to open three bank accounts for UNODC, including an account in Egypt.

51. In the end, the account in Egypt was not opened, the policy of UNODC having changed towards the opening of accounts in field offices given the difficulties encountered by the Financial Resources Management Service in managing the large number of accounts and the lack of qualified finance personnel in field offices. Nevertheless, this account was still referred to in the records of the Treasurer in New York.

52. **UNODC agreed with the Board's recommendation to put the Treasury Department in New York and field offices in contact in order to update the information relating to bank accounts.**

United Nations Interregional Crime and Justice Research Institute bank accounts

53. The examination of bank reconciliation documents relating to the accounts of the United Nations Interregional Crime and Justice Research Institute at Turin, Italy, showed that they were not prepared on a monthly basis. One bank reconciliation relating to November 2007 was not completed until 7 April 2008. A bank reconciliation relating to October 2007 was completed on 26 March 2008. In 2007, the average time taken for bank reconciliations was between three and five months. Furthermore, the dates on which the bank reconciliations were approved by the Financial Resources Management Service of UNODC in Vienna were in most cases not specified.

54. **UNODC agreed with the Board's recommendation to take appropriate measures to ensure that bank reconciliations are prepared, reviewed and approved on a monthly basis.**

Opening of bank accounts

55. The Board asked UNODC to produce a copy of the opening order for a sample of seven bank accounts out of a total of 18 accounts.

56. Regulation 4.15 of the Financial Regulations and Rules of the United Nations states that the Secretary-General shall designate the bank or banks in which funds of the organization should be kept. Rule 104.4 states that the Under-Secretary-General for Management shall open and close all bank accounts necessary for the activities of the organization and designate the officials authorized to sign all orders relating to said accounts.

57. Out of the sample of seven accounts, the Division for Management of UNODC could only produce four authorizations, relating to accounts opened in Colombia, India, Kenya and South Africa.

58. Two accounts used by UNODC had not received prior authorization by the Treasurer in New York. Formal approval took place subsequently, after the bank accounts had already been opened.

59. **UNODC agreed with the Board's recommendation to comply strictly with rule 104.4 of the Financial Regulations and Rules of the United Nations regarding the opening of bank accounts.**

Cash flow management

60. The UNODC Country Office, Colombia, bank account for 2006 showed an average monthly balance of $1,101,280 higher than the level necessary to meet the Country Office estimated cash requirements for two and a half months, as stipulated in rule 104.7 of the Financial Regulations and Rules of the United Nations.

61. **UNODC agreed with the Board's recommendation to strengthen the controls on monthly bank balances in order to ensure strict respect for the provisions of rule 104.7 of the Financial Regulations and Rules of the United Nations.**

9. Regional Centre for East Asia and the Pacific

62. The Board audited the UNODC Regional Centre for East Asia and the Pacific in Bangkok from 26 November to 7 December 2007. The main objective of the audit was to examine the management of programmes and governance at the Centre.

63. The Regional Centre for East Asia and the Pacific is one of 21 field entities of UNODC. The Centre's mission is to provide financial and technical assistance in order to combat the production and trafficking of drugs. It also helps local authorities to comply with international standards. Actions take the form of projects financed by donor countries, managed within the Centre by a United Nations project coordinator.

64. The Centre has 42 staff. In 2007 it managed a portfolio of 24 projects representing a total of $23.6 million. In the recent period, the Centre has expended approximately $2.5 million, on average, per year.

Organization of the Centre

65. The organization of the Centre had several deficiencies. The Director did not have either a deputy or a management team to assist him with his management work. The Centre did not have a communications and public relations unit capable of promoting its actions and seeking donors. There was no management control structure to measure, monitor and evaluate activity. Two of the four divisions had no chief. These absences forced the Director to undertake a large number of tasks directly, which contributed to distracting him from the strategic objectives of the Centre and from promoting its activities and fund-raising.

66. The project monitoring board is a body made up of managers and coordinators at the Centre. Its objective is to provide updates on the progress of projects. An internal memorandum stated that it was to meet every six months. No meeting had been held since August 2006.

Strategic management

67. The last regional programme framework had not been updated for four years. The previous document covered only the budgetary years 2004 and 2005. A document had been produced in autumn 2007, but it was still pending validation. This situation was more troubling given that a 2005 internal audit report had explicitly referred to the need to set up a regional programme framework for the period after 2005 and that the Centre had replied to the audit that it was preparing such a document for completion in September 2005.

68. In the absence of a strategic plan, limited effort had been made over the past two years to renew current programmes and develop new ones. No official was responsible for developing new programmes and raising the necessary funds.

69. The number of programmes fell from 24 in 2007, valued at $23.6 million, to 14 programmes in 2008, valued at $11.6 million. A total of 10 programmes valued at $12 million had thus been closed at the end of 2007. The reduction of activity leads to a worrying financial situation in which the administrative costs of the Centre, expected to be $1.2 million in 2008, have become equivalent to the sums allotted for the implementation of projects, also $1.2 million according to forecasts for 2008.

70. The different programme leaders, in the absence of a strategic plan, had taken personal initiatives to boost activity. These initiatives were taken outside the framework of any formal validation by the project review committee and even without validation by the Director of the Centre.

71. **UNODC agreed with the Board's recommendation to implement a strategy for the reorganization of the Regional Centre for East Asia and the Pacific in order to re-establish programme management and ensure that the Centre remains financially sustainable.**

Operating costs of the Centre

72. In 2007, the operating costs of the Centre amounted to $1.1 million, $929,500 of which was financed by resources stemming from general-purpose funds and programme support costs and $181,381 of which was deducted from various programmes according to an allocation rate. The usual allocation rate was 9 per cent, but the rate fell to 3 per cent for projects affecting Cambodia and Malaysia. Donations from Europe, Australia and the United States of America were exempt from this charge. The Centre was unable to provide an explanation for the exemption of those countries. The allocation reduced the resources available for projects and the related decision could not be validated.

73. **UNODC agreed with the Board's recommendation to establish a more transparent and objective method for the allocation of office operating costs.**

10. End-of-service and post-retirement liabilities

74. In its previous report (A/61/5/Add.9), the Board recommended that UNODC should ensure that its reserves were sufficient to cover all end-of-service liabilities.

75. For the biennium 2006-2007, UNODC properly integrated into its financial statements provisions relating to end-of-service and post-retirement liabilities amounting to $18,757,672.

76. The liabilities disclosed on the face of the financial statements consisted of $13,809,000 for after-service health insurance and $4,948,672 for the balance of unused annual leave days and repatriation benefits. As requested by the General Assembly in resolution 61/264, the Board has validated the after-service health insurance liabilities reported in the financial statements. This was achieved through reliance on external actuarial valuation and the Board's own procedures. However, as at 31 December 2007 these liabilities had no specific funding.

77. **The Board recommends that UNODC set up specific funding for end-of-service and post-retirement liabilities, notably for after-service health insurance coverage.**

11. Progress towards the implementation of International Public Sector Accounting Standards

78. In accordance with General Assembly resolution 61/233 and in response to the comments of the Advisory Committee on Administrative and Budgetary Questions on the financial reports and audited financial statement and reports of the Board of Auditors for the period ended 31 December 2005 (A/61/350), the Board decided to

carry out an analysis relating to the implementation of International Public Sector Accounting Standards.

79. UNODC is an entity of the United Nations Secretariat and, in this respect, must follow the plan aimed at implementing the International Public Sector Accounting Standards coordinated by a project team at United Nations Headquarters. UNODC has not taken any specific initiatives in that respect.

80. In 2007, managers of the UNODC Division for Management participated in working groups and training sessions on the International Public Sector Accounting Standards (one training course delivered as an inter-agency seminar, one training course held in Brussels and one training course at a retreat of United Nations chief finance officers).

12. Non-expendable property

81. According to note 9 of the financial statements, UNODC's non-expendable property amounted to $22.4 million as at 31 December 2007.

82. Section 3.6 of administrative instruction ST/AI/2003/5 states that the management of each department or office must ensure that a comprehensive physical inventory of property of the United Nations is effectively conducted every two years. As the UNODC Division for Management could not present any results of recent inventories, the Board concluded that this regulatory provision had not been applied.

83. **UNODC agreed with the Board's recommendation to comply with section 3.6 of administrative instruction ST/AI/2003/5 regarding physical inventory of property.**

84. The implementation of International Public Sector Accounting Standards will mean the balance sheets of the entities in question will show the updated value of non-expendable property. Non-expendable property in service at UNODC headquarters and in the field offices were being monitored by an internally developed computer program that did not include a module to update and depreciate the value of property in service.

85. **UNODC agreed with the Board's recommendation that the Division for Management should upgrade the non-expendable property monitoring software to include a module to depreciate value.**

86. Non-expendable property at UNODC headquarters is accounted for in the inventory carried out by the Division for Management. Removals from the inventory are carried out either when property is withdrawn from service or after a loss, breakdown or obsolescence. Procedures for removing entries involve mainly online declarations from holders and users.

87. Between the entry and removal of items from inventories, no physical inspection is carried out by the Division for Management. UNODC had chosen not to define and implement internal inspections in order to provide a minimum guarantee of the reliability of inventories of property in service. These findings increased the risk of misstatement of inventory in the financial statements of UNODC.

88. **UNODC agreed with the Board's recommendation to draw up and implement formalized and traceable internal control procedures to guarantee the reliability of information given on the total value of property in service at the end of the period.**

13. Consultants, experts and temporary staff

89. The Board noted that the poor quality of research by a consultant had delayed the payment of an instalment of donated funds for a project. This was only revealed because the report in question was directly examined by the head of the Division for Operations. The recruitment and review of the work of consultants is largely the responsibility of field office directors. Nevertheless, this example showed the need for the Division for Operations to check periodically the quality of work carried out by consultants.

90. **UNODC agreed with the Board's recommendation that field offices should send periodically to the Director of the Division for Operations a report on work carried out by consultants in order to strengthen control over recruitment and the work of consultants.**

14. Enterprise resource planning systems

91. The report on the biennium 2004-2005 for UNODC (A/61/5/Add.9) showed that the financial statements were being prepared using two different applications, the Integrated Management Information System (IMIS) and the UNODC Programme and Financial Information Management System (known as ProFi). The IMIS application is mainly used to track the budgetary and accounting management of UNODC headquarters and the United Nations International Drug Control Programme in the field. Management of the United Nations Crime Prevention and Criminal Justice Programme in the field is monitored using the ProFi application. The coexistence of these two sources of data leads to risks. In particular, discrepancies between IMIS and ProFi totalling several thousand dollars were noted by the Board. These discrepancies related mainly to programme support expenses.

92. UNODC recognized that the coexistence of these two systems and the manual processing of certain operations increased risks in the process of preparing financial statements and agreed with the previous recommendation of the Board that the two information management systems should be better integrated.

93. The two systems were nevertheless still in place and the risk of error still existed. UNODC informed the Board of an error; however, the error was not considered significant in the context of the 2006-2007 financial statements. In the context of implementing the International Public Sector Accounting Standards, UNODC envisaged implementation of a new integrated management system that was aimed at replacing the functionalities of IMIS and ProFi, processing transactions and preparing financial statements. UNODC stated to the Board that it would continue to use the current systems and would try to improve the management of those systems through increased personnel, stricter control of access to the financial functions of ProFi and regular verification of data.

94. **UNODC agreed with the Board's recommendation to continue its efforts to prepare for the implementation of the integrated management system required by the transition to the International Public Sector Accounting**

Standards and to take measures to reduce the risks related to transactions and consolidation and extraction of data.

15. Internal audit findings

95. During the biennium 2006-2007, the Office of Internal Oversight Services (OIOS) audited the following UNODC field offices: the Regional Office for Mexico and Central America, the Regional Office for Brazil and the Southern Cone, the Country Office, Nigeria, and the Country Office, Colombia. OIOS also produced an updated evaluation of risks concerning UNODC. Its main findings are described below.

96. OIOS drew the attention of the administration of the UNODC Regional Office for Mexico and Central America on the need to improve control of the expenses of implementing partners and on the advisability of drawing up a list of consultants to carry out the required evaluations.

97. The findings of OIOS in the UNODC Regional Office for Brazil and the Southern Cone were that the financial system showed errors in the recording of expenses incurred by UNDP, which required retroactive correction.

98. The examination of UNODC's activities in its Country Office, Nigeria, showed that risk factors were not being monitored, in particular because of a high rate of staff turnover. Actions by implementing partners were poorly supervised.

99. OIOS carried out a risk assessment in UNODC at the end of 2007. The risk identified by OIOS in terms of management and governance, financial management and management of human resources, purchasing, programmes and projects were evaluated as high.

100. The Board used the work of OIOS to analyse the operating mechanisms of UNODC and to update its own risk evaluation and plan its own audit work.

16. Write-offs and disposals

101. In accordance with financial regulation 6.4 of the Financial Regulations and Rules of the United Nations, UNODC informed the Board that an amount of $9,924 had been written off during the biennium 2006-2007.

17. Ex gratia payments

102. UNODC informed the Board that no ex gratia payments had been made during the biennium 2006-2007.

18. Cases of fraud and presumptive fraud

103. A case of fraud concerning the local UNODC Country Office, Nigeria, was detected by OIOS during the biennium 2006-2007. This was subject to an in-depth investigation.

104. It should be highlighted that the number of proven or alleged cases of fraud depends on the effectiveness of procedures aimed at discovering them. UNODC had not put in place internal oversight mechanisms capable of guaranteeing, in this connection, rigorous respect for principles and rules.

105. UNODC should be given credit for the recent establishment of an online declaration register and the centralized collection of gifts offered by providers.

106. **UNODC agreed with the Board's recommendation to adopt internal instructions on the prevention, detection and reporting of cases of fraud and alleged fraud.**

107. UNODC commented that it would seek guidance from the Ethics Office of the Secretariat and OIOS on ways to adopt internal instructions on the prevention, detection and reporting of cases of fraud and alleged fraud.

C. Acknowledgement

108. The Board of Auditors wishes to thank the Executive Director of the United Nations Office on Drugs and Crime and his staff for the help they have given to the audit teams and the cooperative spirit they have shown.

(*Signed*) Philippe **Séguin**
First President of the Court of Auditors of France
Chairman of the United Nations Board of Auditors
(Lead auditor)

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa

30 June 2008

Annex

Analysis of the status of implementation of the Board's recommendations for the biennium ended 31 December 2005[a]

	Subject	*Paragraph reference*[b]	*First reported*	*Fully implemented*	*Partially implemented*	*Not implemented*
1.	Balanced geographical distribution in recruitment of staff	32	2004-2005		X	
2.	Recording of income according to United Nations accounting standards	37	2004-2005			X
3.	Retention of supporting documents relating to contributions in kind by field offices	39	2004-2005	X		
4.	Outstanding receivables	43	2004-2005	X		
5.	Increase in contributions to general-purpose funds	49	2004-2005		X	
6.	Miscellaneous income	52	2004-2005	X		
7.	Harmonization of information management systems	55	2004-2005			X
8.	Verification of expenditure and timely receipt of audit certificates	58	2000-2001	X		
9.	Old advances to be written off or recovered	60	2004-2005	X		
10.	Monitoring implementation of operations and expenditure reports	62	2004-2005		X	
11.	Unfinanced projects	64	2004-2005	X		
12.	Reference to United Nations accounting standards by external auditors	66	2004-2005	X		
13.	Accounting for investments in euros	71	2004-2005		X	
14.	Compliance with rules on opening of bank accounts	74	2000-2001		X	
15.	Compliance with rules on petty cash	76	2000-2001	X		
16.	Reserves to cover end-of-service liabilities	80	1998-1999		X	
17.	Conducting inventory counts of non-expendable property	83	2004-2005			X
18.	Write-off of losses	87	2004-2005	X		
19.	Establishment of procurement plans	91	2004-2005			X
20.	Compliance with provisions of Procurement Manual	96	2004-2005		X	
21.	Advertising to invite potential vendors to bid	98	2004-2005	X		
22.	Documenting technical evaluations of bids	100	2004-2005	X		
23.	Prevention and management of information and communications technology fraud	103, 105, 107	2004-2005	X X X		
24.	Security of computer systems	110	2004-2005	X		
25.	Computer security testing	113	2004-2005			X
26.	Testing the integrity of computer functionalities or data put in place by external providers	116	2004-2005	X		
27.	Developing indicators of success	122	2004-2005	X		
28.	Workplans of New York office	127	2004-2005	X		
29.	Full reporting of staff in New York office	129	2004-2005	X		
	Total			**31**	**7**	**5**
	Percentage			**100**	**23**	**16**

[a] See A/61/5/Add.9, chap. II.

Chapter III
Audit opinion

We have audited the financial statements of the United Nations Office on Drugs and Crime comprising statements numbered I to VII, and the supporting notes for the biennium ended 31 December 2007. These statements are the responsibility of the Executive Director of UNODC. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Executive Director, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion the financial statements present fairly, in all material respects, the financial position of the UNODC as at 31 December 2007 and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of UNODC that have come to our notice or which we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNODC.

(*Signed*) Philippe **Séguin**
First President of the Court of Auditors of France
Chairman of the United Nations Board of Auditors
(Lead auditor)

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa

30 June 2008

Chapter IV
Certification of the financial statements

The financial statements of the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund for the biennium ended 31 December 2007 have been prepared in accordance with rule 106.10 of the Financial Regulations and Rules of the United Nations and article XV of the Financial Rules of the Fund of the International Drug Control Programme.

In accordance with General Assembly resolutions 46/185 C and 61/252, the Executive Director of UNODC is responsible for the accounts of the Drug Programme Fund and the Crime Programme Fund and for submitting those accounts and related financial statements to the Board of Auditors, the Commission on Narcotic Drugs, the Commission on Crime Prevention and Criminal Justice and the General Assembly.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes and the accompanying schedules, provide additional information and clarification of the financial activities undertaken by UNODC during the period covered by these statements and are an integral part of the financial statements.

I certify that the appended financial statements of the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund are correct based on our records and reports from executing agencies.

(*Signed*) Antonio Maria **Costa**
Executive Director
United Nations Office on Drugs and Crime

18 April 2008

Chapter V

Financial statements for the biennium ended 31 December 2007

Abbreviations

ESCAP	Economic and Social Commission for Asia and the Pacific
FAO	Food and Agriculture Organization of the United Nations
ILO	International Labour Organization
IMO	International Maritime Organization
NATO	North Atlantic Treaty Organization
NGO	Non-governmental organization
OAS	Organization of American States
OPEC	Organization of the Petroleum Exporting Countries
OSCE	Organization for Security and Cooperation in Europe
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDEF	United Nations Democracy Fund
UNDP	United Nations Development Programme
UNFIP	United Nations Fund for International Partnerships
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNICRI	United Nations Interregional Crime and Justice Research Institute
UNIFEM	United Nations Development Fund for Women
UNLRC	United Nations Regional Centre for Peace, Disarmament and Development in Latin America and the Caribbean
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNMAS	United Nations Mine Action Service
USAID	United States Agency for International Development
WHO	World Health Organization

Statement I

Consolidated income and expenditure and changes in reserves and fund balances

(United States dollars)

	Reference	*General-purpose funds*	*Special-purpose funds*	*Eliminations*	*Total 2006-2007*	*Restated total 2004-2005*[a]
Income						
Voluntary contributions	Schedule 2	29 276 264	281 401 299	—	**310 677 562**	**252 866 944**
Funds received under inter-organization arrangements	Schedule 2	—	16 788 662	—	**16 788 662**	**5 740 535**
Other/miscellaneous income						
Programme support income	Schedule 5	18 320 492	—	(18 320 492)	—	—
Interest income		1 668 607	13 275 227	—	**14 943 834**	**4 816 904**
Miscellaneous income		1 855 936	20 060 218	—	**21 916 154**	**(1 299 641)**
Total income		**51 121 299**	**331 525 405**	**(18 320 492)**	**364 326 212**	**262 124 742**
Expenditure	Schedule 4					
Staff and other personnel costs		41 319 128	83 951 746	—	**125 270 874**	**91 490 347**
Travel		1 142 201	15 176 574	—	**16 318 775**	**10 094 200**
Contractual services		1 194 282	51 115 016	—	**53 375 004**	**32 602 627**
Operating expenses		2 529 645	13 535 730	—	**14 999 668**	**12 147 156**
Acquisitions		1 508 137	25 506 489	—	**27 014 626**	**25 775 334**
Other		363 147	22 577 206	—	**22 940 352**	**16 436 705**
Programme support costs (implementing partners)	Schedule 5	267 966	3 971 534	—	**4 239 500**	**4 760 530**
Total direct expenditure		**48 324 505**	**215 834 294**	—	**264 158 800**	**193 306 900**
Programme support costs (UNODC)	Schedule 5		18 320 492	(18 320 492)	—	312 041
Total expenditure		**48 324 505**	**234 154 787**	**(18 320 492)**	**264 158 800**	**193 618 941**
Excess (shortfall) of income over expenditure		**2 796 794**	**97 370 619**	—	**100 167 413**	**68 505 800**
Prior-period adjustments	Note 3, schedule 2	409 005	24 850 976	—	**25 259 981**	**(1 275 916)**
Net changes in provisions and reserves		1 314 158	64 313	—	**1 378 471**	**(4 370 555)**
Net excess (shortfall) of income over expenditure		**4 519 957**	**122 285 908**	—	**126 805 865**	**62 859 329**
Transfers to (from) other funds		5 707 632	(6 498 479)	—	**(790 847)**	**108 606**
Refunds to donors		—	(1 720 836)	—	**(1 720 836)**	**(808 216)**
Other adjustments to reserves and fund balances	Note 5	(869 607)	(510 798)	—	**(1 380 405)**	—
Reserves and fund balances, beginning of period		11 946 116	118 922 526	—	**130 868 643**	**93 968 901**
Reserves and fund balances, end of period		**21 304 098**	**232 478 320**	—	**253 782 418**	**156 128 620**

[a] Comparative figures from the biennium 2004-2005 are restated to conform to current presentation and to include prior-period adjustments.

Statement II

Consolidated assets, liabilities, reserves and fund balances as at 31 December 2007

(United States dollars)

	Reference	*General-purpose funds*	*Special-purpose funds*	*Eliminations*	*Total 2006-2007*	*Restated total 2004-2005[a]*
Assets						
Cash and term deposits		4 281 004	13 872 241	—	**18 153 246**	**7 589 876**
Investments in offices away from Headquarters cash pool		29 408 206	166 313 890	—	**195 722 095**	**126 321 130**
Accounts receivable						
Voluntary contributions receivable	Schedule 2	658 976	156 775 289	—	**157 434 265**	**37 791 500**
Inter-fund balances receivable		39 941 435	49 302 533	—	**84 243 968**	**76 909 759**
Advances to implementing partners	Note 4		8 125 582	—	**8 125 582**	**9 688 269**
Other receivables		111 018	470 321	—	**581 339**	**1 049 940**
Total assets		**69 400 639**	**394 859 857**	—	**464 260 496**	**259 350 475**
Liabilities						
Unliquidated obligations		937 141	10 315 812	—	**11 252 953**	**5 830 397**
Accounts payable						
Inter-fund balances payable		31 744 758	52 660 061	—	**84 404 819**	**73 250 954**
Advances due to implementing partners	Note 4	—	1 457 770	—	**1 457 770**	**767 574**
Other payables		30 419	61 535	—	**91 954**	**2 891 009**
Deferred income	Schedule 2	205 333	91 597 437	—	**91 802 770**	**2 066 484**
End-of-service and post-retirement liabilities	Note 5	15 156 966	3 600 706	—	**18 757 672**	**2 306 773**
Total liabilities		**48 074 617**	**159 693 321**	—	**207 767 938**	**87 113 191**
Reserves and fund balances						
Operational reserves	Note 6	—	—	—	—	**12 000 000**
Reserves for allocations	Schedule 5	21 924	2 688 215	—	**2 710 139**	**4 108 662**
Fund balances		21 304 098	232 478 320	—	**253 782 418**	**156 128 620**
Total reserves and fund balances		**21 326 022**	**235 166 535**	—	**256 492 557**	**172 237 282**
Total liabilities, reserves and fund balances		**69 400 639**	**394 859 857**	—	**464 260 496**	**259 350 475**

[a] Comparative figures from the biennium 2004-2005 are restated to conform to current presentation and to include prior-period adjustments

Statement III

Fund of the United Nations International Drug Control Programme: income, expenditure and changes in reserves and fund balances

(United States dollars)

	Reference	*General-purpose funds*	*Special-purpose funds*	*Eliminations*	*Total 2006-2007*	*Restated total 2004-2005*[a]
Income						
Voluntary contributions	Schedule 2	25 899 416	183 677 500	—	**209 576 916**	**187 088 211**
Funds received under inter-organization arrangements	Schedule 2	—	15 918 469	—	**15 918 469**	**5 279 743**
Other/miscellaneous income						
Programme support income	Schedule 5	13 619 221	—	(13 619 221)	—	—
Interest income		1 204 465	7 162 491	—	**8 366 957**	**3 502 136**
Miscellaneous income[b]		1 698 596	13 516 310	—	**15 214 906**	**(2 002 574)**
Total income		**42 421 699**	**220 274 770**	**(13 619 221)**	**249 077 248**	**193 867 516**
Expenditure	Schedule 4					
Staff and other personnel costs		33 970 477	57 174 622	—	**91 145 099**	**78 062 276**
Travel		950 641	10 578 566	—	**11 529 207**	**7 968 401**
Contractual services		1 182 129	38 806 816	—	**39 988 945**	**28 787 579**
Operating expenses		1 433 483	10 293 904	—	**11 727 388**	**10 655 412**
Acquisitions		1 493 802	17 360 058	—	**18 853 861**	**24 272 302**
Other		363 147	13 370 576	—	**13 733 722**	**11 661 794**
Programme support costs (implementing partners)	Schedule 5	267 966	2 686 513	—	**2 954 479**	**4 198 487**
Total direct expenditure		**39 661 646**	**150 271 055**	—	**189 932 701**	**165 606 251**
Programme support costs (UNODC)	Schedule 5	—	13 619 221	(13 619 221)	—	—
Total expenditure		**39 661 646**	**163 890 276**	**(13 619 221)**	**189 932 701**	**165 606 251**
Excess (shortfall) of income over expenditure		**2 760 053**	**56 384 494**	—	**59 144 547**	**28 261 265**
Prior-period adjustments	Note 3, schedule 2	435 489	25 810 854	—	**26 264 343**	**(976 363)**
Net changes in provisions and reserves[c]		1 314 158	(1 703 854)	—	**(389 696)**	**(1 988 788)**
Net excess (shortfall) of income over expenditure		**4 527 700**	**80 491 494**	—	**85 019 194**	**25 296 114**
Transfers to (from) other funds[d]		5 261 292	(5 495 442)	—	**(234 150)**	—
Refunds to donors			(500 531)	—	**(500 531)**	**(342 891)**
Other adjustments to reserves and fund balances	Note 5	127 063	475 207	—	**602 270**	—

	Reference	*General-purpose funds*	*Special-purpose funds*	*Eliminations*	*Total 2006-2007*	*Restated total 2004-2005*[a]
Reserves and fund balances, beginning of period		6 420 837	55 408 971	—	**61 829 808**	**63 140 927**
Reserves and fund balances, end of period		**16 336 893**	**130 379 699**	—	**146 716 591**	**88 094 150**

[a] Comparative figures from the biennium 2004-2005 are restated to conform to current presentation and to include prior-period adjustments.

[b] Includes $5,348,153 net gains from revaluation of euro offices away from Headquarters cash pool, $351,902 net gains from revaluation of cash in euro bank account, $1,413,971 gains from revaluation of cash in field office local currency bank accounts, $7,468,946 gains from revaluation of non-United States dollar voluntary contributions receivable and $433,198 savings on or cancellation of prior-period obligations.

[c] Includes a $1,336,082 decrease in provision as a result of credits from UNDP clearing suspense items and a $1,187,587 decrease in provision as a result of credits from European Commissions payments for overdue funding agreements.

[d] Includes $4,657,883 transfer of interest income from special-purpose to general-purpose funds.

Statement IV

Fund of the United Nations International Drug Control Programme: assets, liabilities, reserves and fund balances as at 31 December 2007

(United States dollars)

	Reference	General-purpose funds	Special-purpose funds	Eliminations	Total 2006-2007	Restated total 2004-2005[a]
Assets						
Cash and term deposits[b]		4 281 004	12 877 398	—	**17 158 403**	**4 982 641**
Investments in offices away from Headquarters cash pool[c]		24 669 187	74 205 707	—	**98 874 894**	**69 987 531**
Accounts receivable						
Voluntary contributions receivable	Schedule 2	623 288	122 702 805	—	**123 326 093**	**26 749 861**
Inter-fund balances receivable		33 170 815	—	—	**33 170 815**	**44 892 897**
Advances to implementing partners	Note 4	—	7 317 703	—	**7 317 703**	**6 641 828**
Other receivables		111 018	325 612	—	**436 630**	**1 036 463**
Total assets		**62 855 312**	**217 429 225**	—	**280 284 537**	**154 291 221**
Liabilities						
Unliquidated obligations		784 878	3 000 428	—	**3 785 306**	**3 444 622**
Accounts payable						
Inter-fund balances payable		31 744 758	—	—	**31 744 758**	**43 393 974**
Advances due to implementing partners	Note 4	—	1 278 894	—	**1 278 894**	**767 574**
Other payables		30 419	47 454	—	**77 873**	**2 587 558**
Deferred income	Schedule 2	205 333	79 039 312	—	**79 244 645**	**486 708**
End-of-service and post-retirement liabilities[d]	Note 5	13 731 107	1 979 583	—	**15 710 691**	**2 160 500**
Total liabilities		**46 496 495**	**85 345 673**	—	**131 842 168**	**52 840 936**
Reserves and fund balances						
Operational reserves	Note 6	—	—	—	—	**12 000 000**
Reserves for allocations	Schedule 5	21 924	1 703 854	—	**1 725 778**	**1 356 134**
Fund balances		16 336 893	130 379 699	—	**146 716 591**	**88 094 150**
Total reserves and fund balances		**16 358 817**	**132 083 553**	—	**148 442 369**	**101 450 284**
Total liabilities, reserves and fund balances		**62 855 312**	**217 429 225**	—	**280 284 537**	**154 291 221**

[a] Comparative figures from the biennium 2004-2005 are restated to conform to current presentation and to include prior-period adjustments.

[b] Represents interest-bearing bank deposits of $2,231,386 in UNODC headquarters bank accounts, interest-bearing deposits of $14,872,710 in UNODC field office local bank accounts, an imprest account of $5,007 maintained by ESCAP and imprest accounts and petty cash in UNODC field offices of $49,300.

[c] Represents the Drug Programme Fund share of the United Nations offices away from Headquarters cash pools: the share of the United States dollar cash pool comprises cash and term deposits of $21,899,732, short-term investments of $12,697,328 (market value $12,700,514), long-term investments of $8,209,286 (market value $8,203,352) and accrued interest receivable of $174,542; the share of the euro cash pool comprises cash and term deposits of $52,033,179 (€35,694,761), short-term investments of $3,624,458 (market value €2,486,378) and accrued interest receivable of $236,370 (€162,150).

[d] Represents end-of-service liabilities of $3,864,690 (including $3,250,552 repatriation grant accruals) and accrued liabilities for after-service health insurance costs of $11,846,000 as at 31 December 2007.

Statement V

United Nations Crime Prevention and Criminal Justice Fund: income, expenditure and changes in reserves and fund balances

(United States dollars)

	Reference	*General-purpose funds*	*Special-purpose funds*	*Eliminations*	*Total 2006-2007*	*Restated total 2004-2005*[a]
Income						
Voluntary contributions	Schedule 3	3 376 847	97 723 799	—	**101 100 646**	**65 778 733**
Funds received under inter-organization arrangements	Schedule 3	—	870 193	—	**870 193**	**460 792**
Other/miscellaneous income						
Programme support income	Schedule 5	4 701 271	—	(4 701 271)	—	—
Interest income		464 142	6 112 736	—	**6 576 878**	**1 314 768**
Miscellaneous income[b]		157 340	6 543 908	—	**6 701 248**	**702 933**
Total income		**8 699 601**	**111 250 635**	**(4 701 271)**	**115 248 965**	**68 257 226**
Expenditure	Schedule 4					
Staff and other personnel costs		7 348 651	26 777 124	—	**34 125 775**	**13 428 071**
Travel		191 559	4 598 008	—	**4 789 568**	**2 125 799**
Contractual services		12 153	12 308 200	—	**13 386 059**	**3 815 049**
Operating expenses		1 096 161	3 241 826	—	**3 272 281**	**1 491 744**
Acquisitions		14 335	8 146 431	—	**8 160 766**	**1 503 032**
Other		—	9 206 630	—	**9 206 630**	**4 774 911**
Programme support costs (implementing partners)	Schedule 5	—	1 285 021	—	**1 285 021**	**562 043**
Total direct expenditure		**8 662 860**	**65 563 239**	**—**	**74 226 099**	**27 700 649**
Programme support costs (UNODC)	Schedule 5	—	4 701 271	(4 701 271)	—	312 041
Total expenditure		**8 662 860**	**70 264 511**	**(4 701 271)**	**74 226 099**	**28 012 690**
Excess (shortfall) of income over expenditure		**36 741**	**40 986 125**	**—**	**41 022 866**	**40 244 536**
Prior-period adjustments	Note 3, schedule 3	(44 485)	(959 878)	—	**(1 004 363)**	**(299 553)**
Net changes in provisions and reserves			1 768 167	—	**1 768 167**	**(2 381 767)**
Net excess (shortfall) of income over expenditure		**(7 744)**	**41 794 414**	**—**	**41 786 670**	**37 563 215**
Transfers from (to) other funds[c]		446 340	(1 003 037)	—	**(556 697)**	**108 606**
Eliminations		—	—	—	—	—
Refunds to donors		—	(1 220 305)	—	**(1 220 305)**	**(465 325)**
Other adjustments to reserves and fund balances		(996 670)	(986 005)	—	**(1 982 675)**	—

	Reference	*General-purpose funds*	*Special-purpose funds*	*Eliminations*	*Total 2006-2007*	*Restated total 2004-2005*[a]
Reserves and fund balances, beginning of period		5 525 279	63 513 555	—	**69 038 835**	**30 827 974**
Reserves and fund balances, end of period		**4 967 205**	**102 098 622**	—	**107 065 827**	**68 034 470**

[a] Comparative figures from the biennium 2004-2005 are restated to conform to current presentation and to include prior-period adjustments.

[b] Includes $2,507,777 net gains from revaluation of euro offices away from Headquarters cash pool, $200,243 net gains from revaluation of cash in euro bank account, $2,868,831 gains from revaluation of non-United States dollar voluntary contributions receivable and $443,550 savings on or cancellation of prior-period obligations.

[c] Includes $154,404 transfer of interest income from special-purpose to general-purpose funds.

Statement VI

United Nations Crime Prevention and Criminal Justice Fund: assets, liabilities, reserves and fund balances as at 31 December 2007

(United States dollars)

	Reference	*General-purpose funds*	*Special-purpose funds*	*Eliminations*	*Total 2006-2007*	*Restated total 2004-2005*[a]
Assets						
Cash and term deposits[b]		—	994 843	—	**994 843**	2 607 235
Investments in offices away from Headquarters cash pool[c]		4 739 018	92 108 183	—	**96 847 201**	56 333 599
Accounts receivable						
Voluntary contributions receivable	Schedule 3	35 689	34 072 484	—	**34 108 172**	11 041 639
Inter-fund balances receivable		1 770 620	49 302 533	—	**51 073 153**	32 016 862
Advances to implementing partners	Note 4	—	807 879	—	**807 879**	3 046 441
Other receivables		—	144 709	—	**144 709**	13 478
Total assets		**6 545 327**	**177 430 631**	—	**183 975 959**	105 059 254
Liabilities						
Unliquidated obligations		152 263	7 315 383		**7 467 646**	2 385 775
Accounts payable						
Inter-fund balances payable		—	52 660 061	—	**52 660 061**	29 856 980
Advances due to implementing partners		—	178 876	—	**178 876**	—
Other payables		—	14 081	—	**14 081**	303 451
Deferred income	Schedule 3	—	12 558 124	—	**12 558 124**	1 579 776
End-of-service and post-retirement liabilities[d]	Note 5	1 425 859	1 621 123	—	**3 046 982**	146 274
Total liabilities		**1 578 122**	**74 347 649**	—	**75 925 771**	34 272 255
Reserves and fund balances						
Reserves for allocations		—	984 361	—	**984 361**	2 752 528
Fund balances		4 967 205	102 098 622	—	**107 065 827**	68 034 470
Total reserves and fund balances		**4 967 205**	**103 082 983**	—	**108 050 188**	70 786 998
Total liabilities, reserves and fund balances		**6 545 327**	**177 430 631**	—	**183 975 959**	105 059 254

[a] Comparative figures from the biennium 2004-2005 are restated to conform to current presentation and to include prior-period adjustments.

[b] Represents interest-bearing bank deposits of $643,068 in United Nations Office at Vienna and United Nations Interregional Crime and Justice Research Institute call accounts, interest-bearing deposits of $302,645 in the Research Institute euro local bank account and interest-bearing deposits of $49,129 in the Research Institute United States dollar local bank account.

[c] Represents the Crime Programme Fund share of the United Nations offices away from Headquarters cash pools: the share of the US dollar cash pool comprises cash and term deposits of $38,071,818, short-term investments of $22,073,803 (market value $22,079,342), long-term investments of $14,271,519 (market val[illegible] $14,261,203) and accrued interest receivables of $303,435; the share of the euro cash pool comprises cash and term deposits of $20,598,250 (€14,130,399), short-term investments of $1,434,805 (market value €984,277) and accrued interest receivable of $93,572 (€64,190).

[d] Represents end-of-service liabilities of $1,083,982 (including $491,828 repatriation grant accruals) and accrued liabilities for after-service health insurance costs of $1,963,000 as at 31 December 2007.

Statement VII
Consolidated cash flows[a]

(United States dollars)

	Drug Programme general-purpose funds	*Drug Programme special-purpose funds*	*Crime Programme general-purpose funds*	*Crime Programme special-purpose funds*	*Total general-purpose funds*	*Total special-purpose funds*	*Total 2006-2007*
Cash flows from operating activities							
Excess (shortfall) of income over expenditure	2 760 053	56 384 494	36 741	40 986 125	2 796 794	97 370 619	100 167 413
(Increase) decrease in voluntary contributions receivable	(109 782)	(96 466 450)	87 466	(23 153 999)	(22 316)	(119 620 449)	(119 642 765)
(Increase) decrease in inter-fund balances receivable	11 722 082	—	(526 235)	(18 530 056)	11 195 847	(18 530 056)	(7 334 209)
(Increase) decrease in advances to implementing partners	—	(675 875)	—	2 238 562	—	1 562 687	1 562 687
(Increase) decrease in other receivables	520 910	78 923	1 455	(132 687)	522 365	(53 763)	468 601
Increase (decrease) in unliquidated obligations	176 595	164 088	(133 554)	5 215 425	43 042	5 379 514	5 422 555
Increase (decrease) in inter-fund balances payable	(11 649 216)	—	—	22 803 082	(11 649 216)	22 803 082	11 153 865
Increase (decrease) in advances due to implementing partners	—	511 320	—	178 876	—	690 197	690 197
Increase (decrease) in other payables	(2 557 139)	47 454	—	(289 370)	(2 557 139)	(241 916)	(2 799 055)
Increase (decrease) in deferred income	145 333	78 612 604	(54 111)	11 032 459	91 222	89 645 064	89 736 285
Increase (decrease) in end-of-service and post-retirement liabilities	11 570 608	1 979 583	1 350 843	1 549 865	12 921 451	3 529 448	16 450 899
Net cash flows from operating activities	**12 579 444**	**40 636 143**	**762 606**	**41 898 281**	**13 342 050**	**82 534 424**	**95 876 474**
Cash flows from investing activities							
(Increase) decrease in investments in offices away from Headquarters cash pool	(4 174 939)	(24 712 424)	(212 276)	(40 301 326)	(4 387 215)	(65 013 750)	(69 400 965)
Net cash flows from investing activities	**(4 174 939)**	**(24 712 424)**	**(212 276)**	**(40 301 326)**	**(4 387 215)**	**(65 013 750)**	**(69 400 965)**
Net changes in provisions and reserves	1 314 158	(1 703 854)	—	1 768 167	1 314 158	64 313	1 378 471
Transfers from (to) other funds	5 261 292	(5 495 442)	446 340	(1 003 037)	5 707 632	(6 498 479)	(790 847)
Refunds to donors	—	(500 531)	—	(1 220 305)	—	(1 720 836)	(1 720 836)
Other adjustments in reserves and fund balances	127 063	475 207	(996 670)	(986 005)	(869 607)	(510 798)	(1 380 405)

	Drug Programme general-purpose funds	*Drug Programme special-purpose funds*	*Crime Programme general-purpose funds*	*Crime Programme special-purpose funds*	*Total general-purpose funds*	*Total special-purpose funds*	*Total 2006-2007*
Changes in operating reserves	(12 000 000)	—	—	—	(12 000 000)	—	(12 000 000)
Changes in reserves for allocations	21 924	347 720	—	(1 768 167)	21 924	(1 420 447)	(1 398 523)
Net cash flows from financing activities	**(5 275 563)**	**(6 876 900)**	**(550 330)**	**(3 209 347)**	**(5 825 893)**	**(10 086 248)**	**(15 912 141)**
	3 128 942	9 046 819	—	(1 612 392)	3 128 942	7 434 427	10 563 369
	1 152 062	3 830 579	—	2 607 235	1 152 062	6 437 814	7 589 876
	4 281 004	**12 877 398**	**—**	**994 843**	**4 281 004**	**13 872 241**	**18 153 245**

[a] Cash flows are based on the restated financial statements of the biennium 2004-2005 after prior adjustments to Drug Programme and Crime Programme Fund balances.

Schedule 1

Consolidated summary and ageing schedules of pledges and contributions as at 31 December 2007

(United States dollars)

Donor	Unpaid pledges as at 1 January 2006	Income from pledges for 2006-2007: General purpose	Income from pledges for 2006-2007: Special purpose	Income from pledges for 2006-2007: Total	Pledges for future years	Adjustments	Collections	Revaluation (losses) gains	Unpaid pledges as at 31 December 2007
	a	*b*	*c*	*d=b+c*	*e*	*f*	*g*	*h*	*i=a+d+e+f-g+h*
A. Voluntary contributions from Member States									
Drug Programme	17 871 714	25 899 416	111 938 674	137 838 090	36 896 752	(619 547)	130 562 156	6 490 380	67 915 233
Crime Programme	10 693 758	3 376 845	73 744 144	77 120 990	9 855 963	(603 366)	70 704 236	2 900 125	29 263 233
Total A	**28 565 472**[a]	**29 276 261**	**185 682 818**	**214 959 080**	**46 752 715**	**(1 222 913)**	**201 266 392**	**9 390 505**	**97 178 466**
B. Voluntary cost-sharing contributions from Member States									
Drug Programme	3 854 996	—	48 699 846	48 699 846	25 679 412	(67 000)	48 755 742	92 271	29 503 783
Crime Programme	30 000	—	2 627 548	2 627 548	1 679 000	—	1 069 331	—	3 267 216
Total B	**3 884 996**[a]	**—**	**51 327 394**	**51 327 394**	**27 358 412**	**(67 000)**	**49 825 073**	**92 271**	**32 770 999**
C. Voluntary contributions from other Government organizations									
Drug Programme	3 244 051	—	22 518 688	22 518 688	—	—	20 081 362	569 006	6 250 382
Crime Programme	7 230	—	19 814 383	19 814 383	—	(7 188)	19 076 954	88 578	826 050
Total C	**3 251 281**[a]	**—**	**42 333 071**	**42 333 071**	**—**	**(7 188)**	**39 158 316**	**657 584**	**7 076 432**
D. Voluntary contributions from public donations									
Drug Programme	—	—	520 292	520 292	—	—	503 239	(5 287)	11 766
Crime Programme	310 651	3	1 537 724	1 537 724	617 219	(294 118)	1 575 465	61 259	657 272
Total D	**310 651**[a]	**3**	**2 058 016**	**2 058 016**	**617 219**	**(294 118)**	**2 078 704**	**55 972**	**669 038**
Total voluntary contributions									
Drug Programme	24 970 761	25 899 416	183 677 500	209 576 916	62 576 164	(686 547)	199 902 499	7 146 370	103 681 164
Crime Programme	11 041 639	3 376 847	97 723 799	101 100 646	12 152 182	(904 672)	92 425 985	3 049 962	34 013 772
Total A + B + C + D	**36 012 400**[a]	**29 276 264**	**281 401 299**	**310 677 562**	**74 728 346**	**(1 591 219)**	**292 328 484**	**10 196 332**	**137 694 936**

Donor	Unpaid pledges as at 1 January 2006	Income from pledges for 2006-2007			Pledges for future years	Adjustments	Collections	Revaluation (losses) gains	Unpaid pledges as at 31 December 2007
		General purpose	Special purpose	Total					
	a	*b*	*c*	*d=b+c*	*e*	*f*	*g*	*h*	*i=a+d+e+f-g+h*
E. Funds received under inter-organization arrangements									
Drug Programme	1 779 100	—	15 918 469	15 918 469	16 668 481	—	15 043 698	322 577	19 644 929
Crime Programme	—	—	870 193	870 193	405 942	—	1 181 708	(27)	94 400
Total E	**1 779 100**[a]	**—**	**16 788 662**	**16 788 662**	**17 074 423**	**—**	**16 225 406**	**322 550**	**19 739 329**
Grand total									
Drug Programme	26 749 861	25 899 416	199 595 969	225 495 385	79 244 645	(686 547)	214 946 197	7 468 947	123 326 093
Crime Programme	11 041 639	3 376 847	98 593 992	101 970 839	12 558 124	(904 672)	93 607 693	3 049 935	34 108 172
Grand total A+ B + C + D + E	**37 791 500**[a]	**29 276 264**	**298 189 961**	**327 466 224**	**91 802 770**	**(1 591 219)**	**308 553 890**	**10 518 882**	**157 434 265**

[a] Unpaid pledges as at 1 January 2006 were restated to show the changes to accrual basis accounting for the Drug Programme Fund and the United Nations Interregional Crime and Justice Research Institute sub-account of the Crime Programme Fund (Schedules 2 and 3 and note 3).

Ageing of unpaid pledges as at 31 December 2007	*0-6 Months*	*7-12 Months*	*13-24 Months*	*Longer than 24 Months*	*Total*
A. Voluntary contributions from Member States					
Drug Programme	18 621 741	17 309 668	25 951 071	6 032 752	67 915 233
Crime Programme	11 588 212	11 073 672	1 074 278	5 527 071	29 263 233
B. Voluntary cost-sharing contributions from Member States					
Drug Programme	10 379 629	951 460	14 831 170	3 341 524	29 503 783
Crime Programme	2 000	758 983	2 476 233	30 000	3 267 216
C. Voluntary contributions from other Government organizations					
Drug Programme	1 540 958	1 000 000	2 395 728	1 313 696	6 250 382
Crime Programme	500 000	—	326 051	—	826 051
D. Voluntary contributions from public donations					
Drug Programme	—	—	11 766	—	11 766
Crime Programme	652 272	—	5 000	—	657 272
Total voluntary contributions					
Drug Programme	30 542 328	19 261 128	43 189 735	10 687 972	103 681 164
Crime Programme	12 742 484	11 832 655	3 881 562	5 557 071	34 013 772
Total A + B + C + D					
E. Funds received under inter-organization arrangements					
Drug Programme	10 793 708	7 500 996	788 590	561 635	19 644 929
Crime Programme	62 000	—	32 400	—	94 400
Total Drug Programme	41 336 036	26 762 124	43 978 325	11 249 607	123 326 092
Total Crime Programme	12 804 484	11 832 655	3 913 962	5 557 071	34 108 172
Grand total A+ B + C + D + E	**54 140 520**	**38 594 779**	**47 892 287**	**16 806 678**	**157 434 265**

Schedule 2

Fund of the United Nations International Drug Control Programme: schedule of contributions and pledges as at 31 December 2007

Donor	Unpaid pledges as at 1 January 2006	Income from pledges in 2006-2007			Pledges for future years	Adjustments	Collections	Revaluation (losses)/gains	Unpaid pledges as at 31 December 2007
		General purpose	Special purpose	Total 2006-2007					
	a	b	c	d=b+c	e	f	g	h	i=a+d+e+f-g+h
A. Voluntary contributions from Member States									
Algeria	10 000	20 000	—	20 000	10 000	(10 000)[a]	20 000	—	10 000
Australia	—	788 954	9 744 759	10 533 713	—	(426 708)[a]	7 568 860	46 075	2 584 220
Austria	—	108 740	1 452 837	1 561 577	—	(131 752)[b]	1 469 938	40 113	—
Bangladesh	—	2 000	—	2 000	—	—	2 000	—	—
Belgium	—	371 228	93 334	464 562	—	—	449 372	69	15 259
Bolivia	—	—	15 000	15 000	—	—	15 000	—	—
Canada	730 769	903 602	10 816 490	11 720 092	8 629 310	90 090[c]	10 589 250	3 170 263	13 751 274
China	—	67 853	10 000	77 853	—	—	63 921	—	13 932
Colombia	—	80 000	88 810	168 810	9 333	(80 000)[b]	98 143	—	—
Croatia	—	10 000	—	10 000	6 000	—	10 000	—	6 000
Czech Republic	—	206 714	310 071	516 785	—	—	516 785	—	—
Denmark	—	2 753 017	—	2 753 017	—	—	2 805 344	52 327	—
Finland	—	590 301	4 077 327	4 667 628	3 213 011	—	4 402 326	93 115	3 571 428
France	—	1 754 065	2 973 226	4 727 291	—	118 075[b,c]	4 813 322	4 399	36 443
Germany	—	1 554 780	2 999 720	4 554 500	1 543 453	—	4 674 643	20 831	1 444 141
Greece	—	20 000	90 000	110 000	—	—	110 000	—	—
Hungary	—	—	92 982	92 982	—	—	99 785	6 803	—
India	60 000	200 000	400 000	600 000	300 000	—	899 910	(90)	60 000
Ireland	—	1 321 055	1 106 065	2 427 120	—	—	2 427 120	—	—
Israel	—	24 000	—	24 000	—	—	24 000	—	—
Italy	—	3 407 775	5 549 487	8 957 262	1 031 531	—	8 261 638	232 407	1 959 562
Japan	—	1 648 011	2 472 935	4 120 946	—	—	4 120 946	—	—
Kazakhstan	—	25 000	—	25 000	—	—	—	—	25 000
Kuwait	10 000	10 000	—	10 000	5 000	—	20 000	—	5 000

Donor	Unpaid pledges as at 1 January 2006	Income from pledges in 2006-2007: General purpose	Income from pledges in 2006-2007: Special purpose	Income from pledges in 2006-2007: Total 2006-2007	Pledges for future years	Adjustments	Collections	Revaluation (losses)/gains	Unpaid pledges as at 31 December 2007
	a	*b*	*c*	*d=b+c*	*e*	*f*	*g*	*h*	*i=a+d+e+f-g+h*
Lao People's Democratic Republic	1 000	6 000	—	6 000	—	—	6 000	—	1 000
Liechtenstein	200 000	—	500 000	500 000	250 000	—	550 000	—	400 000
Luxembourg	200 000	199 147	1 868 683	2 067 830	—	—	1 730 393	57 315	594 752
Madagascar	—	1 000	—	1 000	—	—	—	—	1 000
Malaysia	—	20 000	—	20 000	—	—	20 000	—	—
Malta	—	280	—	280	—	—	280	—	—
Mexico	—	200 000	400 000	600 000	—	—	600 000	—	—
Monaco	—	20 000	—	20 000	—	—	20 000	—	—
Morocco	—	9 000	—	9 000	—	—	9 000	—	—
Netherlands	—	—	11 855 690	11 855 690	16 447 368	—	8 439 910	2 535 490	22 398 638
New Zealand	—	137 814	—	137 814	—	—	137 814	—	—
Nigeria	—	100 000	23 550	123 550	—	—	—	—	123 550
Norway	—	2 713 968	2 820 232	5 534 200	—	—	5 555 439	21 239	—
Pakistan	—	1 956	—	1 956	—	—	1 956	—	—
Panama	—	6 500	—	6 500	—	—	6 500	—	—
Poland	—	—	48 500	48 500	—	(31 632)[b]	16 868	—	—
Portugal	—	50 000	—	50 000	—	—	50 000	—	—
Republic of Korea	—	150 000	—	150 000	—	—	150 000	—	—
Russian Federation	—	200 000	800 000	1 000 000	—	—	1 000 000	—	—
Saudi Arabia	—	100 000	—	100 000	50 000	(50 000)[a]	100 000	—	—
Singapore	—	10 000	—	10 000	5 000	—	5 000	—	10 000
Slovenia	—	19 577	—	19 577	—	—	5 000	—	14 577
South Africa	—	4 022	—	4 022	—	—	4 022	—	—
Spain	1 147 575	455 675	1 444 562	1 900 237	—	—	3 053 461	5 649	—
Sri Lanka	—	10 000	—	10 000	—	—	10 000	—	—
Sweden	—	3 072 283	19 476 129	22 548 412	3 924 647	—	22 833 177	212 198	3 852 080
Switzerland	78 125	101 938	244 646	346 584	—	—	420 089	(4 620)	—
Thailand	—	40 000	20 000	60 000	30 000	—	60 000	—	30 000

Donor	Unpaid pledges as at 1 January 2006	Income from pledges in 2006-2007: General purpose	Income from pledges in 2006-2007: Special purpose	Income from pledges in 2006-2007: Total 2006-2007	Pledges for future years	Adjustments	Collections	Revaluation (losses)/gains	Unpaid pledges as at 31 December 2007
	a	*b*	*c*	*d=b+c*	*e*	*f*	*g*	*h*	*i=a+d+e+f-g+h*
Tunisia	—	3 161	—	3 161	—	—	3 171	10	—
Turkey	—	380 000	970 000	1 350 000	—	—	1 350 000	—	—
United Arab Emirates	—	—	1 170 887	1 170 887	—	—	1 170 887	—	—
United Kingdom of Great Britain and Northern Ireland	371 978	—	12 116 515	12 116 515	442 100	(97 619)[b,c]	11 634 901	(3 214)	1 194 859
United States of America	15 052 267	2 000 000	15 886 236	17 886 236	1 000 000	—	18 125 986	—	15 812 517
Venezuela (Bolivarian Republic of)	10 000	20 000	—	20 000	—	—	30 000	—	—
Total A	**17 871 714**	**25 899 416**	**111 938 674**	**137 838 090**	**36 896 752**	**(619 547)**	**130 562 156**	**6 490 380**	**67 915 233**
B. Voluntary cost-sharing contributions from Member States									
Bahrain	—	—	535 600	535 600	—	—	267 858	—	267 742
Bolivia	220 562	—	439 900	439 900	—	—	169 055	—	491 407
Brazil	—	—	24 834 199	24 834 199	20 646 762	(67 000)[b]	26 359 850	—	19 054 111
Colombia	407 857	—	17 776 226	17 776 226	—	—	16 040 730	92 271	2 235 624
Mexico	1 953 743	—	891 170	891 170	—	—	1 736 299	—	1 108 614
Peru	1 022 834	—	2 129 001	2 129 001	—	—	2 088 200	—	1 063 635
Qatar	250 000	—	1 615 750	1 615 750	5 032 650	—	1 615 750	—	5 282 650
United Arab Emirates	—	—	478 000	478 000	—	—	478 000	—	—
Total B	**3 854 996**	**—**	**48 699 846**	**48 699 846**	**25 679 412**	**(67 000)**	**48 755 742**	**92 271**	**29 503 783**
C. Voluntary contributions from other Government organizations									
European Commission	—	—	9 831 973	9 831 973	—	—	10 414 574	582 601	—
Inter-American Development Bank	—	—	1 430 000	1 430 000	—	—	—	—	1 430 000
NATO-Russia Council	—	—	942 400	942 400	—	—	934 900	—	7 500
Olympic Council of Asia	—	—	100 000	100 000	—	—	100 000	—	—
OAS	—	—	89 500	89 500	—	—	87 383	(2 117)	—

Donor	Unpaid pledges as at 1 January 2006	Income from pledges in 2006-2007: General purpose	Income from pledges in 2006-2007: Special purpose	Income from pledges in 2006-2007: Total 2006-2007	Pledges for future years	Adjustments	Collections	Revaluation (losses)/gains	Unpaid pledges as at 31 December 2007
	a	*b*	*c*	*d=b+c*	*e*	*f*	*g*	*h*	*i=a+d+e+f-g+h*
OPEC	40 000	—	2 000 000	2 000 000	—	—	976 812	—	1 063 188
OSCE	—	—	9 459	9 459	—	—	9 459	—	—
USAID	3 204 051	—	7 915 355	7 915 355	—	—	7 448 234	(11 478)	3 659 694
World Bank	—	—	200 000	200 000	—	—	110 000	—	90 000
Total C	**3 244 051**	**—**	**22 518 688**	**22 518 688**	**—**	**—**	**20 081 362**	**569 006**	**6 250 382**
D. Voluntary contributions from public donations									
Central America Drug Prevention Commission	—	—	15 000	15 000	—	—	15 000	—	—
Conagran Ltda., Colombia	—	—	210	210	—	—	210	—	—
COPARMEX, Nuevo Leon	—	—	12 000	12 000	—	—	12 000	—	—
Drug Abuse Prevention Centre	—	—	298 980	298 980	—	—	291 564	(7 416)	—
Discotheque Clubs	—	—	2 141	2 141	—	—	2 141	—	—
Empresa de Energía de Cundinamarca	—	—	7 143	7 143	—	—	7 143	—	—
Estee Lauder Cosmetics	—	—	24 184	24 184	—	—	24 184	—	—
FRG Corp. Club Social, Colombia	—	—	782	782	—	—	782	—	—
Fundação Vale do Rio Doce	—	—	6 920	6 920	—	—	6 920	—	—
Gestasal Ltda., Colombia	—	—	333	333	—	—	333	—	—
International Organization for Migration	—	—	41 182	41 182	—	—	31 545	2 129	11 766
Salto del Angel, Colombia	—	—	6 395	6 395	—	—	6 395	—	—
Swissmedic	—	—	40 755	40 755	—	—	40 755	—	—

Donor	*Unpaid pledges as at 1 January 2006*	*Income from pledges in 2006-2007*			*Pledges for future years*	*Adjustments*	*Collections*	*Revaluation (losses)/gains*	*Unpaid pledges as at 31 December 2007*
	a	*b*	*c*	*d=b+c*	*e*	*f*	*g*	*h*	*i=a+d+e+f-g+h*
Trans Archivos, Colombia	—	—	444	444	—	—	444	—	—
Transpack	—	—	355	355	—	—	355	—	—
Turning Point Alcohol and Drug Centre	—	—	63 468	63 468	—	—	63 468	—	—
Total D	**—**	**—**	**520 292**	**520 292**	**—**	**—**	**503 239**	**(5 287)**	**11 766**
Total voluntary contributions									
Total A + B + C + D	**24 970 761**	**25 899 416**	**183 677 500**	**209 576 916**	**62 576 164**	**(686 547)**	**199 902 499**	**7 146 370**	**103 681 164**
E. Funds received under inter-organization arrangements									
Human Security Trust Fund	554 274	—	1 235 425	1 235 425	—	—	436 135	—	1 353 564
UNAIDS	149 956	—	12 035 971	12 035 971	16 668 481	—	11 575 927	321 815	17 600 296
UNICRI	—	—	4 048	4 048	—	—	4 048	—	—
UNFIP	—	—	289 150	289 150	—	—	289 912	762	—
UNICEF	—	—	33 170	33 170	—	—	33 170	—	—
UNMAS	—	—	314 600	314 600	—	—	314 600	—	—
UNFPA	—	—	157 700	157 700	—	—	157 700	—	—
UNDP	1 074 870	—	920 305	920 305	—	—	1 690 814	—	304 361
UNOPS	—	—	928 100	928 100	—	—	541 392	—	386 708
Total E	**1 779 100**	**—**	**15 918 469**	**15 918 469**	**16 668 481**	**—**	**15 043 698**	**322 577**	**19 644 929**
Grand total A + B + C + D + E	**26 749 861**[d]	**25 899 416**	**199 595 969**	**225 495 385**	**79 244 645**	**(686 547)**	**214 946 197**	**7 468 947**	**123 326 093**

[a] Accounting adjustments pertaining to pledges for the financial period 2006 which were collected in advance and recorded as income in the biennium 2004-2005 (note 3).

[b] Transfer to Crime Programme Fund.

[c] Transfer from Crime Programme Fund.

[d] Unpaid pledges as at 1 January 2006 were recorded as prior-period adjustments because the income from those pledges was not recognized prior to 2006 (note 3).

Schedule 3

United Nations Crime Prevention and Criminal Justice Fund: schedule of contributions and pledges as at 31 December 2007

Donor	Unpaid pledges as at 1 January 2006	Income from pledges for 2006-2007			Pledges for future years	Adjustments	Collections	Revaluation (losses)gains	Unpaid pledges as at 31 December 2007
		General-purpose	Special-purpose	Total					
	a	b	c	d=b+c	e	f	g	h	i=a+d+e+f-g+h
A. Voluntary contributions from Member States									
Austria	17 751	48 590	1 571 932	1 620 522	756 356	92 227[a]	1 739 271	42 503	790 087
Australia	—	—	461 402	461 402	60 000	—	452 285	(9 117)	60 000
Belarus	—	—	20 000	20 000	—	—	20 000	—	—
Belgium	—	—	108 507	108 507	—	—	19 187	680	90 000
Bolivia	1 000	—	—	—	—	—	—	—	1 000
Cameroon	—	1 957	—	1 957	—	—	1 957	—	—
Canada	209 401	183 548	7 970 827	8 154 375	4 093 611	(90 090)[b]	6 272 453	1 052 418	7 147 262
Cape Verde	5 025 515	—	—	—	—	—	992 510	1 099 700	5 132 705
Chile	6 000	15 000	10 000	25 000	—	—	36 000	5 000	—
Colombia	—	—	472 469	472 469	—	80 000[a]	567 411	14 943	—
Croatia	—	5 000	—	5 000	—	—	5 000	—	—
Denmark	—	—	1 842 358	1 842 358	—	—[c]	1 829 740	(12 618)	—
Finland	—	—	310 456	310 456	51 881	—	316 278	12 250	58 309
France	—	—	1 494 429	1 494 429	—	(183 951)[a,b]	1 279 638	(30 840)	—
Germany	(993)[d]	—	662 972	662 972	1 411 290	—	580 752	15 712	1 508 229
Greece	—	—	200 000	200 000	—	—	200 000	—	—
Hungary	—	—	73 395	73 395	—	—	46 312	2 550	31 632
India	24 000	103 000	—	103 000	—	—	127 000	—	—
Indonesia	—	—	622 440	622 440	—	(616 803)[e]	—	—	5 637
Ireland	—	—	1 055 466	1 055 466	—	—	1 055 466	—	—
Italy	—	1 844 500	17 169 626	19 014 126	903 973	—	17 784 932	715 578	2 848 745
Japan	36 160	20 000	184 749	204 749	—	—	205 511	(413)	34 985
Libyan Arab Jamahiriya	—	—	1 696 200	1 696 200	—	—	831 245	—	864 955

Donor	Unpaid pledges as at 1 January 2006	Income from pledges for 2006-2007			Pledges for future years	Adjustments	Collections	Revaluation (losses)/gains	Unpaid pledges as at 31 December 2007
		General-purpose	Special-purpose	Total					
	a	*b*	*c*	*d=b+c*	*e*	*f*	*g*	*h*	*i=a+d+e+f-g+h*
Liechtenstein	200 000	—	150 000	150 000	50 000	—	350 000	—	50 000
Madagascar	1 000	1 000	—	1 000	—	—	1 000	—	1 000
Monaco	—	—	120 000	120 000	60 000	—	124 851	4 851	60 000
Morocco	8 000	8 000	—	8 000	—	—	16 000	—	—
Netherlands	1 243 589[f]	—	2 799 190	2 799 190	174 867	—	3 533 273	6 674	691 047
New Zealand	—	—	140 845	140 845	—	—	137 691	(3 154)	—
Nigeria	—	—	8 717	8 717	—	—	8 717	—	—
Norway	—	960 823	4 572 971	5 533 794	—	—	5 504 733	(29 061)	—
Poland	—	—	168 399	168 399	—	31 632[a]	199 555	(476)	—
Republic of Korea	—	40 250	200 000	240 250	300 000	—	40 250	—	500 000
Spain	47 337	—	1 569 404	1 569 404	—	—	1 616 741	—	—
Sweden	—	139 735	5 593 798	5 733 533	—	—	5 691 232	(42 302)	—
Switzerland	485 065	—	1 319 888	1 319 888	93 490	—	1 506 117	4 524	396 850
Tunisia	2 239	2 274	—	2 274	—	—	1 111	287	3 689
Turkey	50 000	—	250 000	250 000	—	—	250 000	—	50 000
United Arab Emirates	—	—	13 630 000	13 630 000	1 370 000	—	10 000 000	—	5 000 000
United Kingdom	884 108	—	3 368 187	3 368 187	530 495	83 619[a,b,g]	4 002 093	50 436	914 752
United States of America	2 452 670	—	915 350	3 915 350	—	—	3 345 670	—	3 022 350
Venezuela (Bolivarian Republic of)	916	3 168	8 168	11 336	—	—	12 252	—	—
Total A	**10 693 758**	**3 376 845**	**73 744 144**	**77 120 990**	**9 855 963**	**(603 366)**	**70 704 236**	**2 900 125**	**29 263 233**
B. Voluntary cost-sharing contributions from Member States									
Brazil	30 000	—	2 578 249	2 578 249	1 679 000	—	1 020 032	—	3 267 216
Colombia	—	—	49 299	49 299	—	—	49 299	—	—
Total B	**30 000**	—	**2 627 548**	**2 627 548**	**1 679 000**	—	**1 069 331**	—	**3 267 216**
C. Voluntary contributions from other Government organizations									
European Commission[h]	—	—	18 242 492	18 242 492	—	—	18 328 655	86 164	—
OSCE, Vienna	7 230	—	20 363	20 363	—	(7 188)	20 991	586	—

Donor	Unpaid pledges as at 1 January 2006	Income from pledges for 2006-2007			Pledges for future years	Adjustments	Collections	Revaluation (losses)/gains	Unpaid pledges as at 31 December 2007
		General-purpose	Special-purpose	Total					
	a	*b*	*c*	*d=b+c*	*e*	*f*	*g*	*h*	*i=a+d+e+f-g+h*
USAID	—	—	1 507 000	1 507 000	—	—	680 950	—	826 050
OSCE, Belgium	—	—	44 529	44 529	—	—	46 358	1 828	—
Total C	**7 230**	**—**	**19 814 383**	**19 814 383**	**—**	**(7 188)**	**19 076 954**	**88 578**	**826 050**
D. Voluntary contributions from public donations									
Private individual donation	—	3	—	3	—	—	3	—	—
Agenzia Italiana del Farmaco	—	—	72 046	72 046	107 896	—	73 965	3 177	109 154
Cassa di Rispamio di Torino	—	—	78 711	78 711	—	—	80 056	1 345	—
Ciga Gestioni SPA	—	—	1 631	1 631	—	—	1 631	—	—
Courtroom Television Network	—	—	25 000	25 000	—	—	25 000	—	—
Drosos Foundation	—	—	430 530	430 530	5 000	—	430 531	—	4 999
Equality Now, Inc.	—	—	38 791	38 791	—	—	38 791	—	—
Equipelectro, Ltda.	—	—	31 965	31 965	—	—	31 965	—	—
Regione Piemonte	14 793[1]	—	—	—	—	—	15 115	322	—
Roadside Attractions	—	—	2 823	2 823	—	—	2 823	—	—
San Paolo Foundation	295 858[1]	—	811 246	811 246	504 323	(294 118)	860 605	56 415	513 119
Scandinavia Research Council for Criminology	—	—	9 980	9 980	—	—	9 980	—	—
Small Arms Survey	—	—	30 000	30 000	—	—	—	—	30 000
Various public donations	—	—	5 000	5 000	—	—	5 000	—	—
Total D	**310 651**	**3**	**1 537 724**	**1 537 724**	**617 219**	**(294 118)**	**1 575 465**	**61 259**	**657 272**
Total voluntary contributions									
Total A+B+C+D	**11 041 639**	**3 376 847**	**97 723 799**	**101 100 646**	**12 152 182**	**(904 672)**	**92 425 985**	**3 049 962**	**34 013 772**
E. Funds received under inter-organization arrangements									
UNDEF	—	—	559 983	559 983	397 092	—	957 075	—	—
Department of Economic and Social Affairs	—	—	13 680	13 680	—	—	13 680	—	—
UNDP	—	—	8 920	8 920	—	—	8 920	—	—

Donor	Unpaid pledges as at 1 January 2006	Income from pledges for 2006-2007			Pledges for future years	Adjustments	Collections	Revaluation (losses)/gains	Unpaid pledges as at 31 December 2007
		General-purpose	Special-purpose	Total					
	a	b	c	d=b+c	e	f	g	h	i=a+d+e+f-g+h
UNDP, Afghanistan	—	—	40 000	40 000	—	—	—	—	40 000
UNDP, Brazil	—	—	32 400	32 400	—	—	—	—	32 400
UNDP, India	—	—	50 000	50 000	—	—	50 000	—	—
UNDP, Montenegro	—	—	30 000	30 000	8 850	—	20 000	—	18 850
UNDP, Mozambique	—	—	27 000	27 000	—	—	27 000	—	—
UNDP, Thailand	—	—	40 000	40 000	—	—	40 000	—	—
UNDP/UNIFEM	—	—	10 000	10 000	—	—	10 000	—	—
United Nations Headquarters	—	—	10 060	10 060	—	—	10 060	—	—
UNICEF	—	—	18 150	18 150	—	—	15 000	—	3 150
UNICEF, India	—	—	15 000	15 000	—	—	15 000	—	—
UNICEF, Lebanon	—	—	15 000	15 000	—	—	14 973	(27)	—
Total E	**—**	**—**	**870 193**	**870 193**	**405 942**	**—**	**1 181 708**	**(27)**	**94 400**
Grand total A+B+C+D+E	**11 041 639**[i]	**3 376 847**	**98 593 992**	**101 970 839**	**12 558 124**	**(904 672)**	**93 607 693**	**3 049 935**	**34 108 172**

[a] Transfer from Drug Programme Funds.
[b] Transfer to Drug Programme Funds.
[c] Income from Denmark is net of an adjustment of $164,964 to correct prior period income which was incorrectly deferred in 2005 (note 3).
[d] Unpaid pledges from Germany as at 1 January 2006 are restated for a $9,868 adjustment write-off to a prior-period pledge (note 3).
[e] Transfer from Crime Programme Fund to minor temporary services fund.
[f] Unpaid pledges from the Netherlands were restated for a $56 write-off, which resulted from bank charge deduction.
[g] $213,819 was transferred from Drug Programme Funds, $134,200 was transferred to Drug Programme Funds and $14,000 was refunded to the donor.
[h] In accordance with instructions from United Nations Headquarters, a $17,753,432 outstanding pledge recorded for the European Commission as at 1 January 2006 was cancelled in 2006 (note 3) and the unpaid pledge as at 1 January 2006 was restated.
[i] Unpaid pledges for the United Nations Interregional Crime and Justice Research Institute sub-account as at 1 January 2006 are restated as a result of the change of accounting policy to record contributions on an accrual instead of a cash basis.

Schedule 4

Consolidated budget and expenditure

(Thousands of United States dollars)

Category	Drug Programme Fund			Crime Programme Fund			Total		
	Budget	Expenditure	Balance	Budget	Expenditure	Balance	Budget	Expenditure	Balance
I. Executive direction and management									
General purpose									
Post	651.0	675.0	(24.0)	—	—	—	651.0	675.0	(24.0)
Non-post	551.5	342.5	209.0	—	—	—	551.5	342.5	209.0
Special purpose	—	—	—	—	—	—	—	—	—
Subtotal, I	**1 202.5**	**1 017.5**	**185.0**	—	—	—	**1 202.5**	**1 017.5**	**185.0**
II. Programme of work									
A. Subprogramme 1: Rule of law									
General purpose									
Post	22.5	1.5	21.0	—	—	—	22.5	1.5	21.0
Non-post	1.2	—	1.2	68.8	68.8	—	70.0	68.8	1.2
Special purpose	3 175.7	2 737.0	438.7	19 523.3	10 975.4	8 547.9	22 699.0	13 712.4	8 986.6
Subtotal, II.A	**3 199.4**	**2 738.5**	**460.9**	**19 592.1**	**11 044.2**	**8 547.9**	**22 791.5**	**13 782.7**	**9 008.8**
B. Subprogramme 2: Policy and trend analysis									
General purpose									
Post	6 330.9	6 266.7	64.2	455.7	441.2	14.5	6 786.6	6 707.9	78.7
Non-post	1 048.1	703.2	344.9	174.7	147.2	27.5	1 222.8	850.4	372.4
Special purpose	6 764.2	6 982.2	(218.0)	1 290.6	1 101.6	189.0	8 054.8	8 083.8	(29.0)
Subtotal, II.B	**14 143.2**	**13 952.1**	**191.1**	**1 921.0**	**1 690.0**	**231.0**	**16 064.2**	**15 642.1**	**422.1**
C.1. Subprogramme 3: Prevention, treatment, reintegration and alternative development (headquarters)									
General purpose									
Post	8 089.9	7 471.6	618.3	658.4	834.7	(176.3)	8 748.3	8 306.3	442.0
Non-post	944.1	866.4	77.7	219.9	310.3	(90.4)	1 164.0	1 176.7	(12.7)
Special purpose	27 415.0	26 446.1	968.9	20 662.3	24 095.7	(3 433.4)	48 077.3	50 541.8	(2 464.5)
Subtotal, II.C.1	**36 449.0**	**34 784.1**	**1 664.9**	**21 540.6**	**25 240.7**	**(3 700.1)**	**57 989.6**	**60 024.8**	**(2 035.2)**
C.2. Subprogramme 3: Prevention, treatment, reintegration and alternative development (field offices)									
General purpose									
Post	13 985.3	13 980.9	4.4	4 961.8	4 645.1	316.7	18 947.1	18 626.0	321.1
Non-post	1 348.0	1 614.0	(266.0)	653.2	1 153.8	(500.6)	2 001.2	2 767.8	(766.6)
Special purpose	106 554.7	110 626.8	(4 072.1)	17 489.9	21 626.2	(4 136.3)	124 044.6	132 253.0	(8 208.4)
Subtotal, II.C.2	**121 888.0**	**126 221.7**	**(4 333.7)**	**23 104.9**	**27 425.1**	**(4 320.2)**	**144 992.9**	**153 646.8**	**(8 653.9)**

Category	Drug Programme Fund			Crime Programme Fund			Total		
	Budget	*Expenditure*	*Balance*	*Budget*	*Expenditure*	*Balance*	*Budget*	*Expenditure*	*Balance*
III. Programme support									
General purpose									
Post	4 629.1	4 489.7	139.4	723.5	608.7	114.8	5 352.6	5 098.4	254.2
Non-post	3 889.3	2 982.2	907.1	591.2	453.1	138.1	4 480.5	3 435.3	1 045.2
Special purpose	917.4	792.5	124.9	5 988.5	6 479.3	(490.8)	6 905.9	7 271.8	(365.9)
External executing agencies	2 877.0	2 954.5	(77.5)	1 245.0	1 285.0	(40.0)	4 122.0	4 239.5	(117.5)
Subtotal, III	**12 312.8**	**11 218.9**	**1 093.9**	**8 548.2**	**8 826.1**	**(277.9)**	**20 861.0**	**20 045.0**	**816.0**
Summary (I+II+III)									
General purpose									
Post	33 708.7	32 885.4	823.3	6 799.4	6 529.7	269.7	40 508.1	39 415.1	1 093.0
Non-post	7 782.2	6 508.3	1 273.9	1 707.8	2 133.2	(425.4)	9 490.0	8 641.5	848.5
Special purpose	144 827.0	147 584.6	(2 757.6)	64 954.6	64 278.2	676.4	209 781.6	211 862.8	(2 081.2)
External executing agencies	2 877.0	2 954.5	(77.5)	1 245.0	1 285.0	(40.0)	4 122.0	4 239.5	(117.5)
Total, I+II+III	**189 194.9**	**189 932.8**	**(737.9)**	**74 706.8**	**74 226.1**	**480.7**	**263 901.7**	**264 158.9**	**(257.2)**

Schedule 5

Consolidated programme support costs by implementing agency and source

(United States dollars)

	Project expenditure							*Programme support costs*					
				Implementing partners				*UNODC*				*Total*	
	General purpose	*Special purpose*	*Total*	*General purpose*	*Special purpose*	*Total*	*Percentage*	*General purpose*	*Special purpose*	*Total*	*Percentage*	*Amount*	*Percentage*
I. Programme support costs on project expenditure													
A. UNODC implementation													
1. Drug Programme	2 435 083	49 773 845	52 208 928	—	—	—	—		6 201 052	6 201 052	11.9	6 201 052	11.9
2. Crime Programme	—	40 449 819	40 449 819		98 397	98 397	0.2	—	2 910 904	2 910 904	7.2	3 009 301	7.4
Total A	**2 435 083**	**90 223 664**	**92 658 747**	**—**	**98 397**	**98 397**	**0.1**	**—**	**9 111 956**	**9 111 956**	**9.8**	**9 210 353**	**9.9**
B. Partners implementation/support													
1. Drug Programme													
(a) Aga Khan Foundation		(964)	(964)	—	(72)	(72)	7.5	—	(53)	(53)	5.5	(125)	13.0
(b) European Centre for Social Welfare Policy and Research		209 396	209 396	—	13 611	13 611	6.5	—	13 611	13 611	6.5	27 222	12.9
(c) FAO		2 961 197	2 961 197	—	267 645	267 645	9.0	—	117 310	117 310	3.9	384 955	12.9
(d) ILO		348 765	348 765	—	34 877	34 877	10.0	—	10 463	10 463	3.0	45 340	13.0
(e) Pro Bienestar de la Familia		69 737	69 737	—	2 091	2 091	3.0	—	6 974	6 974	10.0	9 065	13.0
(f) UNDP	72 339	57 733 246	57 805 585	267 966	1 496 128	1 764 094	3.1		5 407 851	5 407 851	9.4	7 171 945	12.4
(g) UNOPS	(73 987)	9 994 849	9 920 862		744 065	744 065	7.5		545 647	545 647	5.4	1 289 712	12.9
(h) Vienna NGO Committee on Narcotic Drugs		404 055	404 055	—	—	—	—	—	37 981	37 981	9.4	37 981	9.4
(i) World Customs Organization		570 690	570 690	—	60 076	60 076	10.5	—	14 114	14 114	2.5	74 190	13.0
(j) WHO		166 738	166 738	—	21 675	21 675	13.0	—	—	—	—	21 675	13.0
(k) World Scout Bureau		7 090	7 090	—	567	567	8.0	—	355	355	5.0	922	13.0
Total B.1	**(1 647)**	**72 464 799**	**72 463 151**	**267 966**	**2 640 663**	**2 908 629**	**4.0**	**—**	**6 154 253**	**6 154 253**	**8.5**	**9 062 882**	**12.5**

	Project expenditure							*Programme support costs*				*Total*	
				Implementing partners				*UNODC*					
	General purpose	*Special purpose*	*Total*	*General purpose*	*Special purpose*	*Total*	*Percentage*	*General purpose*	*Special purpose*	*Total*	*Percentage*	*Amount*	*Percentage*
2. Crime Programme													
(a) UNDP	—	10 878 888	10 878 888	—	262 369	262 369	2.4	—	996 713	996 713	9.2	1 259 081	11.6
(b) United Nations Regional Centre for Peace, Disarmament and Development in Latin America and the Caribbean	—	66 120	66 120	—	1 983	1 983	3.0	—	2 479	2 479	3.7	4 462	6.7
(c) UNOPS	—	12 631 081	12 631 081	—	922 272	922 272	7.3	—	719 769	719 769	5.7	1 642 041	13.0
Total B.2	**—**	**23 576 089**	**23 576 089**	**—**	**1 186 624**	**1 186 624**	**5.0**	**—**	**1 718 960**	**1 718 960**	**7.3**	**2 905 584**	**12.3**
Total B	**(1 647)**	**96 040 888**	**96 039 241**	**267 966**	**3 827 287**	**4 095 253**	**4.3**	**—**	**7 873 213**	**7 873 213**	**8.2**	**11 968 466**	**12.5**
C. National execution													
1. Drug Programme	—	24 811 670	24 811 670	—	45 850	45 850	0.2	—	1 145 220	1 145 220	4.6	1 191 070	4.8
2. Crime Programme	—	252 310	252 310	—	—	—	—	—	12 616	12 616	5.0	12 616	5.0
Total C	**—**	**25 063 980**	**25 063 980**	**—**	**45 850**	**45 850**	**0.2**	**—**	**1 157 836**	**1 157 836**	**4.6**	**1 203 686**	**4.8**
D. Total programme support costs on project expenditure													
1. Drug Programme	2 433 436	147 050 314	149 483 749	267 966	2 686 513	2 954 479	2.0	—	13 500 526	13 500 526	9.0	16 455 005	11.0
2. Crime Programme	—	64 278 218	64 278 218	—	1 285 021	1 285 021	2.0	—	4 642 479	4 642 479	7.2	5 927 500	9.2
Total I	**2 433 436**	**211 328 532**	**213 761 968**	**267 966**	**3 971 534**	**4 239 500**	**2.0**	**—**	**18 143 005**	**18 143 005**	**8.5**	**22 382 505**	**10.5**

	Allocation balance[a]							*Programme support costs*					
				Implementing partners				*UNODC*				*Total*	
	General purpose	*Special purpose*	*Total*	*General purpose*	*Special purpose*	*Total*	*Percentage*	*General purpose*	*Special purpose*	*Total*	*Percentage*	*Amount*	*Percentage*
II. Programme support costs on allocation balance													
1. Drug Programme													
(a) European Centre for Social Welfare Policy and Research		3 122	3 122						203	203	6.5	203	6.5
(b) FAO		93 288	93 288						3 732	3 732	4.0	3 732	4.0

	Allocation balance[a]							*Programme support costs*					
				Implementing partners				*UNODC*				*Total*	
	General purpose	*Special purpose*	*Total*	*General purpose*	*Special purpose*	*Total*	*Percentage*	*General purpose*	*Special purpose*	*Total*	*Percentage*	*Amount*	*Percentage*
(c) UNDP	21 924	1 152 504	1 174 428						103 578	103 578	8.8	103 578	8.8
(d) UNOPS		203 306	203 306						11 182	11 182	5.5	11 182	5.5
(e) World Customs Organization		11 189	11 189								—	0	—
(f) WHO		240 445	240 445								—	0	—
Total II.1	**21 924**	**1 703 854**	**1 725 778**						**118 695**	**118 695**	**6.9**	**118 695**	**6.9**
2. Crime Programme													
(a) UNDP		91 191	91 191						9 270	9 270	10.2	9 270	10.2
(b) UNOPS		893 170	893 170						49 521	49 521	5.5	49 521	5.5
Total II.2		**984 361**	**984 361**						**58 792**	**58 792**	**6.0**	**58 792**	**6.0**
Total II	**21 924**	**2 688 215**	**2 710 139**						**177 487**	**177 487**	**6.5**	**117 583**	**4.3**

	Project expenditure and allocation balance							*Programme support costs*					
				Implementing partners				*UNODC*				*Total*	
	General purpose	*Special purpose*	*Total*	*General purpose*	*Special purpose*	*Total*	*Percentage*	*General purpose*	*Special purpose*	*Total*	*Percentage*	*Amount*	*Percentage*
III. Total programme support costs on project expenditure and allocation balance													
1. Drug Programme	2 455 360	148 754 168	151 209 527	267 966	2 686 513	2 954 479	2.0	—	13 619 221	13 619 221	9.0	16 573 700	11.0
2. Crime Programme	—	65 262 579	65 262 579	—	1 285 021	1 285 021	2.0	—	4 701 271	4 701 271	7.2	5 986 292	9.2
Grand total	**2 455 360**	**214 016 747**	**216 472 107**	**267 966**	**3 971 534**	**4 239 500**	**2.0**	**—**	**18 320 492**	**18 320 492**	**8.5**	**22 559 992**	**10.4**

[a] Allocation balance reserved for implementation by partners is based on unliquidated obligations reported by implementing partners as at 31 December 2007.

Notes to the financial statements

Note 1
Statement of aims

(a) The United Nations Office on Drugs and Crime (UNODC) is mandated to assist Member States in their struggle against illicit drugs, crime and terrorism in all its forms and manifestations. The three pillars of the work programme of UNODC are: (i) normative services to facilitate the implementation of international legal instruments and their transformation into global norms, as well as facilitating negotiation of international legal instruments; (ii) research and analysis to increase knowledge and understanding of drug, crime and terrorism issues and expansion of the evidence base for policymaking and operational decisions; and (iii) technical assistance to provide expertise to Member States to help them to prepare for signature and ratification of international legal instruments and to facilitate their implementation, together with legislative assistance and national capacity-building in the area, inter alia, of multilateral standards and norms.

(b) The Fund of the United Nations International Drug Control Programme is primarily concerned with technical cooperation programmes and projects in drug control. The United Nations Crime Prevention and Criminal Justice Fund is primarily concerned with technical cooperation programmes and projects in crime prevention, criminal justice and criminal law reform.

Note 2
Accounting policies

(a) Accounting conventions:

(i) The accounts of the Drug Programme and Crime Programme Funds are maintained in accordance with the Financial Regulations and Rules of the United Nations and the United Nations system accounting standards. Going concern, consistency and accrual are fundamental accounting assumptions. Prudence, substance over form and materiality govern the selection and application of accounting policies. Notes to the financial statements disclose all significant accounting policies and changes in accounting policies that materially affect the financial statements. Since consolidated financial statements for the Drug Programme Fund and the Crime Programme Fund are being submitted for the first time, comparative figures for the corresponding preceding financial period have been reclassified (including eliminations) to conform with the current presentation;

(ii) The accounts are maintained on a fund accounting basis. Each fund is a distinct financial and accounting entity with a separate self-balancing group of accounts. Separate financial statements are prepared for the Drug Programme and Crime Programme Funds, which are combined to present the consolidated financial statements;

(iii) The consolidated cash flow statement is based on the indirect method of cash flows as referred to in the United Nations system accounting standards;

(iv) The financial period is a biennium consisting of two consecutive calendar years. The financial statements are prepared on the historical cost basis of

accounting and are not adjusted to reflect the effects of changing prices for goods and services;

(v) The accounts are maintained and presented in United States dollars. Transactions in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect at the date of the presentation of the statements;

(vi) The financial statements are presented to reflect general-purpose and special-purpose funds. General-purpose funds are unearmarked resources that finance the executive direction and management of UNODC, as well as programme and programme support costs both at headquarters (Vienna) and in the field. They are also used to finance advances for projects and other field operations. In the biennium 2006-2007, the general-purpose-funds category included unearmarked voluntary contributions and programme support resources recovered through the application of a charge against activities funded from special-purpose contributions. Special-purpose funds are earmarked voluntary contributions, which are used to finance UNODC's technical cooperation and other substantive activities at headquarters (Vienna) and in the field. From the biennium 2008-2009, UNODC will record and report programme support cost income earned from special-purpose contributions as a separate category of funds. In previous bienniums such resources were classified as general-purpose funds. This change has been approved in resolutions 50/14 and 16/6 of the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice, respectively;

(vii) The Crime Programme Fund account includes a sub-account for the United Nations Interregional Crime and Justice Research Institute;

(viii) The presentation of consolidated financial statements for the Drug Programme and Crime Programme Funds facilitates the review of the work of UNODC and does not imply that these Funds have been intermingled. The consolidation process requires the elimination of transactions between the Funds for accurate presentation in the "total" column. The elimination removes double-counting of income and expenditure and includes receivable and payable offsets and adjustments to fund balances. All such eliminations are presented under the separate "eliminations" column and row.

(b) Income:

(i) In accordance with the policy of the United Nations Secretariat as applied to the Crime Programme Fund and in accordance with the recommendation of the Board of Auditors that UNODC should account for contributions on an accrual rather than on a cash basis (see A/61/5/Add.9), income from contributions to the Drug Programme Fund and the United Nations Interregional Crime and Justice Research Institute sub-account of the Crime Programme Fund previously recognized on a cash basis are now recognized on an accrual basis. The effect of the change is disclosed in schedule 2, schedule 3 and note 3;

(ii) Voluntary contributions from Member States and other donors are recognized on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions include cost-sharing contributions, income from other Government organizations and public donations. Voluntary contributions in kind are disclosed in note 10;

(iii) Income received under inter-organizational arrangements represents allocation of funds from other organizations to enable UNODC to administer projects or programmes on their behalf;

(iv) UNODC's share of programme support costs charged to projects and activities financed from special-purpose funds is credited as income to its general-purpose funds to meet related support expenditure. This programme support income, however, is then eliminated in the process of consolidating income in order to avoid double-counting income that is already recognized under special-purpose contributions. In accordance with United Nations policies governing trust funds, UNODC's share of programme support income on the balance of unspent allocations issued to implementing partners is also recognized;

(v) Interest income includes all interest earned on deposits in UNODC bank accounts and investment income earned in the United Nations cash pool accounts. All realized losses and unrealized losses (net of unrealized gains) on short-term investments are offset against investment income. Special-purpose and general-purpose funds are not invested separately as investments are pooled to maximize returns. Interest income on total investments is split according to its general- and special-purpose fund balances. The special-purpose fund share of interest income to the Drug Programme and Crime Programme Funds is then distributed to special-purpose project accounts or refunded according to donor funding arrangements. The remaining balance is credited to general-purpose funds. This distribution is shown as a transfer between general- and special-purpose funds in the financial statements;

(vi) Miscellaneous income includes refunds of expenditure charged to prior periods, savings on or cancellation of prior-period obligations, gains resulting from currency exchange adjustments and other sundry income.

(c) Expenditure:

(i) Expenditure is incurred against authorized appropriations or commitment authority. Expenditure incurred directly by UNODC includes unliquidated obligations (including currency exchange adjustments arising from revaluation of current-period obligations) and disbursements. Expenditure incurred by implementing partners includes disbursements made by them on UNODC's behalf;

(ii) Until 2005, the Drug Programme Fund recognized obligations reported by implementing partners as expenditure. To conform with the United Nations Secretariat accounting policies, effective 1 January 2006 obligations reported by implementing partners are no longer recognized as expenditure. The effect of this change is disclosed in note 3;

(iii) A programme support charge of up to 13 per cent for programme and project execution is levied by UNODC. Where implementation of a programme or project is shared, with an implementing partner, programme support charges are also shared, with the combined amount not exceeding 13 per cent. Programme support costs paid in the biennium to implementing partners under this arrangement are charged to programme expenditure in the financial statements since they constitute an outflow of funds from UNODC. Programme support costs retained by UNODC under this arrangement are then eliminated in the "eliminations" column to avoid double-counting with actual programme support expenditure;

(iv) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at historical cost and is disclosed in note 9.

(d) Assets:

(i) Cash and term deposits represent funds held in demand-deposit accounts and interest-bearing bank deposits in UNODC headquarters bank accounts and UNODC field office bank accounts. Cash also includes imprest and petty cash in UNODC field offices, in the United Nations Interregional Crime and Justice Research Institute and with the Economic and Social Commission for Asia and the Pacific;

(ii) Cash pool funds comprise cash and term deposits, short- and long-term investments and accrued investment income from the United Nations investment pool for offices away from Headquarters. The cash pool investments include marketable securities and other negotiable instruments acquired to produce income. Short-term cash pool investments are stated at the lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. The share of the Drug Programme and Crime Programme Funds in the cash pool for offices away from Headquarters and the composition and market value of the investments of the cash pool are disclosed in the footnotes to the statements of assets, liabilities, reserves and fund balances;

(iii) Inter-fund balances reflect transactions between funds and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions made directly with the United Nations General Fund. Inter-fund balances are settled periodically;

(iv) Accounts receivable include contributions receivable, inter-fund balances receivable, advances to implementing partners, deferred charges and other receivables;

(v) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vi) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled.

(e) Liabilities:

(i) Unpaid commitments are shown as unliquidated obligations. Obligations remain valid for 12 months following the end of the biennium to which they relate;

(ii) Accounts payable include advances due to implementing partners, inter-fund balances payable, provisions and other payables;

(iii) Deferred income includes pledged contributions for future periods where the pledge document categorically specifies the fiscal year or years in which the contributions shall be made;

(iv) Accrued liabilities for end-of-service and post-retirement benefits, comprising after-service health insurance, unused annual leave days and repatriation benefits, are included as liabilities in the statement of assets, liabilities, reserves and fund balances, in accordance with United Nations accounting policy and General Assembly resolution 60/255 with respect to recognition of after-service health insurance liabilities (note 5);

(v) UNODC participates in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, defined benefit plan. The financial obligation of UNODC to the Pension Fund consists of its mandated contribution at the rate established by the Assembly, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Joint Staff Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. As at 31 December 2007, the Assembly has not invoked this provision.

(f) Reserves and fund balances:

(i) Prior-period adjustments include adjustments to prior-period income and expenditure and the write-off and cancellation of prior-period pledges (note 3);

(ii) Net changes of provisions and reserves reflect movements of provisions, reserve for allocations and operating reserves;

(iii) Transfers to and from other funds are performed in accordance with terms and conditions as agreed with donors;

(iv) Refunds to donors are funds that are surplus to the requirements of specific projects and are returned to donors in accordance with the terms and conditions set forth in funding agreements;

(v) An operational reserve was established by the Commission on Narcotic Drugs under the Drug Programme Fund. Since this reserve was established to cover end-of-service and post-retirement liabilities, it is adjusted accordingly (notes 5 and 6);

(vi) Reserves for allocations are established to cover unspent budgetary allocations and outstanding operating funds advanced to implementing partners.

(g) Summary of significant changes in accounting policies:

Significant changes in accounting policies adopted to align the financial statements of the Drug Programme and Crime Programme Funds in accordance with relevant United Nations accounting policies are summarized in the table below (the effect of the changes are explained in notes 3 and 5-7).

Changes in accounting policies	*Funds for which the changes were implemented effective 1 January 2006*
The accounting policy to record contributions is changed from a cash to an accrual basis (note 3)	Drug Programme Fund and Crime Programme Fund, UNICRI sub-account
Outstanding payments due from the European Commission are no longer recognized as pledges and pledges so recorded were cancelled (schedule 3 and note 3)	Drug Programme Fund and Crime Programme Fund
Unliquidated obligations reported by implementing partners are not recognized as expenditure (note 3)	Drug Programme Fund
The UNODC portion of programme support costs are recognized on the balance of unspent allocations for implementing partners (note 3)	Drug Programme Fund
Income is deferred only where the pledge document categorically specifies the fiscal year(s) in which the contributions shall be made (schedules 2 and 3)	Drug Programme Fund and Crime Programme Fund
End-of-service and post-retirement liabilities are fully recognized and included in the statements of assets, liabilities, reserves and fund balances (notes 5 and 6)	Drug Programme Fund and Crime Programme Fund
Reserves for allocations are recorded to cover unspent budgetary allocations and outstanding operating funds advanced to implementing partners (note 3)	Drug Programme Fund

Note 3
Effect of changes in accounting policies and prior-period adjustments

(a) The harmonization of the Drug Programme Fund accounting policy governing the recording of contributions from a cash to an accrual basis with the United Nations policy as applied to the Crime Programme Fund (see note 2 (b) (i)) results in an increase in biennium 2006-2007 income from contributions, a net increase in prior-period income, an increase in contributions receivable and an increase in deferred income. The difference between the amounts now recorded on an accrual basis and the amounts that would have been recorded on a cash basis is summarized in the table below.

(United States dollars)

Item	*Accrual basis*	*Cash basis*	*Net effect*
Income from contributions	225 495 383	215 146 036	Increase of 10 349 347
Adjustment to fund balances for prior-period income	26 263 154	—	Net increase of 26 263 154
Contributions receivable	123 326 092	—	Increase of 123 326 092
Revaluation gain	7 468 946	—	Increase of 7 468 946
Deferred income	79 244 646	—	Increase of 79 244 646

(b) The $26,263,154 adjustment to the balance of the Drug Programme Fund represents the net of: (i) an increase in prior-period income of $26,749,861, which resulted from the recording of prior-period pledges; and (ii) a decrease in prior-period income of $486,708 for 2006 pledges that were collected in advance and recorded as income in the biennium 2004-2005 (Schedule 2).

(c) To comply with United Nations accounting policy, from 2006 the Drug Programme Fund does not include unliquidated obligations reported by implementing partners as expenditure. The comparative figures from the biennium 2004-2005 are restated to show that outstanding obligations of $1,356,134 reported by implementing partners at the end of 31 December 2005 would not have been included as expenditure in the biennium 2004-2005 and a reserve for allocations in the same amount would have been created to cover disbursements of these obligations in future bienniums.

(d) Other prior-period adjustments in the Drug Programme Fund are $750 in savings from closed prior-period obligations reported by an implementing partner, $456 as a correction of expenditure in the biennium 2004-2005 and $16 as a correction in respect of unliquidated obligations from the biennium 2004-2005.

(e) To comply with United Nations accounting policy, a reserve of $1,725,778 has been established in the Drug Programme Fund to cover unspent allocations issued to implementing partners as at 31 December 2007. The Fund's share of programme support costs in the amount of $118,695 is recognized as programme support income and expenditure.

(f) The Crime Programme Fund reduced its fund balance by writing off a $9,868 pledge balance from Germany with the approval of the United Nations Controller and a $56 pledge balance from the Netherlands. The Crime Programme

Fund also corrected its prior-period income by $164,964; this amount had been incorrectly deferred in 2005.

(g) To comply with United Nations accounting policy, neither the Drug Programme Fund nor the Crime Programme Fund recognizes income and receivables from unpaid amounts due from the European Commission as they are subject to conditions that are not yet fulfilled. Prior to 2006, the Crime Programme Fund recorded as pledges payments due from the European Commission with unpaid balances as at 1 January 2006 in the amount of $17,753,432; $16,771,930 of this amount was deferred in 2005 and the Crime Programme Fund balance was adjusted for $797,435 in income and $184,067 in gains recognized in 2005.

(h) Other prior adjustments recorded in the Crime Programme Fund pertain to a transfer of $179,692 in interest income from the previous biennium to amounts payable as this needed to be refunded to donors in accordance with the corresponding funding agreements and $14,783 in prior-period income which was refunded to Drug Programme Fund.

(i) The harmonization of the accounting policies applied to the United Nations Interregional Crime and Justice Research Institute sub-account of the Crime Programme Fund with the accounting policies applied to the overall Crime Programme Fund, in particular the harmonization of the recording of contributions from a cash to an accrual basis in accordance with the United Nations policy in this regard (note 2 (b) (i)) results in an increase in 2006-2007 income from contributions, a net increase in prior-period income, an increase in contributions receivable and an increase in deferred income. The difference between the amounts now recorded on an accrual basis and the amounts that would have been recorded on a cash basis is summarized in the table below.

(United States dollars)

Item	*Accrual basis*	*Cash basis*	*Net effect*
Income from contributions	14 434 117	12 970 182	Increase of 1 463 935
Adjustment to fund balances for prior-period income	16 576	—	Net increase of 16 576
Contributions receivable	3 473 018	—	Increase of 3 473 018
Revaluation gain	476 315	—	Increase of 476 315
Deferred income	1 516 192	—	Increase of 1 516 192

(j) The $16,576 adjustment to the United Nations Interregional Crime and Justice Research Institute sub-account and the Crime Programme Fund balance represents prior-period income of $15,225 and prior-period net gains of $1,350 for 2005 pledges which were collected in 2006.

(k) The comparative financial statements of the biennium 2004-2005 are restated to show the requisite adjustments to the Drug Programme Fund and the Crime Programme Fund balances.

Note 4
Operating funds advanced to (due to) implementing partners

(United States dollars)

Implementing partner	*Operating funds advanced to implementing partners as at 31 December 2007*	*Operating funds due to implementing partners as at 31 December 2007*
United Nations entities		
UNDP	7 602 207	—
Department of Economic and Social Affairs	188 481	
UNFPA	8 433	—
United Nations Headquarters	317	
UNOPS	102 591	(869 822)
United Nations specialized agencies		
FAO	—	(440 632)
ILO	2 052	—
IMO	6 763	—
WHO	84 370	—
Intergovernmental organizations		
African Union	—	(61 161)
European Centre for Social Welfare, Policy and Research	30 069	—
World Customs Organization	25 504	—
Non-governmental organizations		
Gruppo di Volontario Civile	62 974	
Norweigian Church Aid	—	—
Pro Bienestar de la Familia	11 822	—
Vienna NGO Committee on Narcotic Drugs	—	(86 155)
Total	**8 125 582**	**(1 457 770)**

Note 5
End-of-service and post-retirement liabilities

(a) Upon end-of-service, eligible staff members are entitled to after-service health insurance coverage. Liabilities related to after-service health insurance as at 31 December 2007 are based on an actuarial valuation commissioned by United Nations Headquarters and represent the present value, net of retiree contributions, of future benefits accrued from the employee's date of recruitment until the valuation date. These liabilities are estimated at $11,846,000 for the Drug Programme Fund and $1,963,000 for the Crime Programme Fund and are reflected in the financial statements in accordance with United Nations accounting policy and General Assembly resolution 60/255.

(b) Effective for the biennium 2006-2007, end-of-service liabilities for all staff on established posts funded from general-purpose funds are included as liabilities in the statement of assets, liabilities, reserves and fund balances. These

liabilities cover the repatriation grant entitlement and computation of accrued annual leave up to a maximum of 60 days and are calculated for all staff on established general-purpose fund posts as at 31 December 2007.

(c) The end-of-service liabilities for staff on established general-purpose fund posts financed from the Drug Programme and Crime Programme Funds were calculated on the basis of applying staff rule 109 for posts authorized in the UNODC consolidated budget for the biennium 2006-2007 (administered both at headquarters (Vienna) and at field offices).

(d) For project staff, end-of-service and post-retirement benefits other than the repatriation grant entitlement are budgeted for under the specific projects to which these staff members are charged and the actual costs incurred in each financial period are reported as current expenditure.

(e) Provision for repatriation grant entitlements is calculated on the basis of 8 percent of net base pay for all eligible personnel funded from the Drug Programme and Crime Programme Funds. Accruals for and payment of the repatriation grant entitlement to staff members are accounted for in the repatriation grant accruals of the Funds. The accrued repatriation benefits that have been recorded as at 31 December 2007 are $3,250,553 for the Drug Programme Fund and $491,828 for the Crime Programme Fund and these amounts are included as part of the end-of-service and post-retirement liabilities in the statement of assets, liabilities, reserves and fund balances.

(f) The total end-of-service and post-retirement liabilities included in the Drug Programme Fund statement of assets, liabilities, reserves and fund balances is $15,710,690, including repatriation grant accruals. Since $12,000,000 of these liabilities can be met from the reserve, this amount is now reclassified as liabilities. A further $3,250,553 of these liabilities will be funded from the repatriation grant accruals of the Drug Programme Fund. The remaining balance of $460,138 is charged to the general-purpose fund balance. The reclassification of the after-service health insurance and other end-of-service elements of the reserve was reported to the Commission on Narcotic Drugs in document E/CN.7/2007/17-E/CN.15/2007/18.

(g) The total end-of-service and post-retirement liabilities included in the Crime Programme Fund statement of assets, liabilities, reserves and fund balances is $3,046,982, including repatriation grant accruals. A total of $491,828 will be funded from the repatriation accruals of the Crime Programme Fund, $572,479 is charged to the biennium expenditure and the remaining $1,982,675 is charged to the Fund balance. The use of the Fund balance to cover these liabilities was reported to the Commission on Crime Prevention and Criminal Justice in document E/CN.7/2007/17-E/CN.15/2007/18.

(h) A summary of the end-of-service and post-retirement liabilities and the funding of these liabilities is shown in the table below.

(United States dollars)

	Drug Programme	*Crime Programme*	*UNICRI sub-account (Crime Programme)*	*Total*
After-service health insurance liabilities	11 846 000	992 000	971 000	13 809 000
End-of-service liabilities	2 283 090	282 351	618 184	3 183 625
Repatriation grant	1 581 600	151 509	31 938	1 765 047
Total after-service health insurance and end-of-service liabilities	**15 710 690**	**1 425 859**	**1 621 123**	**18 757 672**
Funded from repatriation accrual	3 250 552	316 733	175 095	3 742 380
Funded from reserves	12 000 000	—	—	12 000 000
Funded from Fund balances	460 138	996 670	986 005	2 442 813
Funded from biennium expenditure	—	112 456	460 023	572 479

Note 6
Operational reserve

(a) Until 1995, the Drug Programme Fund maintained an operating reserve of 15 per cent of annual expenditure (adjusted for programme support costs). This amounted to $9,486,700 ($3,446,200 from general-purpose funds and $6,040,500 from special-purpose funds) as at 31 December 1995. Following a recommendation of the Advisory Committee on Administrative and Budgetary Questions (see E/CN.7/1997/10), this arrangement was reviewed in 1996 and the Commission on Narcotic Drugs approved in its resolution 6 (XL) the creation of a consolidated reserve of $12,000,000 ($11,500,000 from the general-purpose funds balance and $500,000 from the programme support reserve). The reserve was calculated to cover liquidation costs such as end-of-service liabilities, uneven cash flows, shortfalls and contingencies for unplanned costs. As at 31 December 2005 (see A/61/5/Add.9), the reserve of $12,000,000 was estimated to cover the following contingencies: (i) end-of-service liabilities (net of repatriation grant accruals) calculated on a full liquidation basis of $7,444,833; (ii) after-service health insurance estimates of $1,351,170; and (iii) a balance of $3,203,997 to cover unforeseen shortfalls, uneven cash flows, unplanned costs and other final contingencies.

(b) In accordance with guidance received from the Office of Programme Planning, Budget and Accounts of the Secretariat, it is contrary to United Nations policy to provide for liquidation liabilities until such time as it is clear that the mandate of UNODC has been fulfilled. In this regard, the reserve amount of $12,000,000 has been reclassified to ensure coverage of after-service health insurance and end-of-service liabilities. The reclassification of elements of the reserve was reported to the Commission on Narcotic Drugs in document E/CN.7/2007/17-E/CN.15/2007/18.

Note 7
Reserves and fund balances

(a) Income pertaining to future financial periods has been deferred only when the pledge documents categorically specify the future fiscal period of the

contribution. As a result, unpaid pledges that are not so deferred, together with actual operating surpluses, cause an accumulation of fund balances.

(b) Net changes in the reserves and fund balances of the Drug Programme Fund during 2007 and future commitments against them are summarized in the table below.

(United States dollars)

Changes in reserves and fund balances	*General purpose*	*Special purpose*	*Total*
Reserves and fund balances as at 1 January 2006	18 420 836	55 408 972	73 829 808
Prior-period adjustments	453 489	27 166 987	27 620 476
Restated reserves and fund balances as at 1 January 2006	18 874 325	82 575 959	101 450 284
Net changes during the biennium 2006-2007 (statement III)	(2 515 508)	49 507 594	46 992 086
Total reserves and fund balances as at 31 December 2007	16 358 817	132 083 553	148 442 370
Ongoing support and project commitments and liabilities	16 358 817	132 083 553	148 442 370
Balance as at 31 December 2007 for future programme activities	—	—	—

(c) Net changes in the reserves and fund balances of the Crime Programme Fund during the biennium 2006-2007 and future commitments against them are summarized in the table below.

(United States dollars)

Changes in reserves and fund balances	*General purpose*	*Special purpose*	*Total*
Reserves and fund balances as at 1 January 2006	5 525 278	66 266 083	71 791 361
Prior-period adjustments	(44 485)	(959 878)	(1 004 363)
Restated reserves and fund balances as at 1 January 2006	5 480 793	65 306 205	70 786 998
Net changes during the biennium 2006-2007 (statement III)	(513 588)	37 776 778	37 263 190
Total reserves and fund balances as at 31 December 2007	4 967 205	103 082 983	108 050 188
Ongoing support and project commitments and liabilities	4 967 205	103 082 983	108 050 188
Balance as at 31 December 2007 for future programme activities	—	—	—

Note 8
Negative cash balances

Special-purpose contributions to finance project activities are treated as trust funds or project accounts. The application of these funds to specific project activities is reported separately to donors. The consolidated balance shown in the

statements, therefore, consists of a series of trust funds or project accounts. In some cases, where expenditure exceeds collections and any accrued interest, the cash balances are negative. For the Drug Programme Fund, the negative cash balances have been funded by advances from general-purpose working capital and are covered by outstanding special-purpose pledges. The details of the negative cash balances for the Drug Programme Fund are shown in the table below.

(United States dollars)

Donor	*Project number*	*Cash fund balances*	*Outstanding Pledges*
Australia	RASF73	(133 392)	165 204
Bolivia	BOLD80	(81 423)	220 562
Brazil	BRAD32	(7 062)	150 316
Canada	GLOC09, GLOG80, GLOH92, GLOI71, GLOJ37, PERD06, PAKU13, RERE29	(739 788)	3 190 621
European Commission	RAF/E13	(74 699)	74 699
France	GLOC09	(7 287)	7 289
Italy	COLI21	(299 388)	928 031
Luxembourg	CAMH90	(150 213)	594 752
Netherlands	ROMJ19	(83 709)	2 915 451
Peru	PERD04	(21 258)	21 258
United States	KYRG64, PERD06, PERG34, TAJH03, TKMI78	(798 227)	4 907 191
World Bank	GLOE69	(90 000)	90 000
Total		**(2 486 446)**	**13 265 374**

Note 9
Non-expendable property

In accordance with United Nations standard accounting policies, non-expendable property is not included in the fixed assets of the Organization but is charged against the current appropriations when acquired. The table below shows the non-expendable property location, movement and status as at 31 December 2007.

(United States dollars)

Location of non-expendable property	*As at 31 December 2005*	*Acquisitions 2006-2007*	*Disposals and adjustments[a] 2006-2007*	*Total as at 31 December 2007*
Headquarters				
Project inventory				
Drug Programme	1 005 833	82 825	(108 093)	980 565
Office inventory				
Drug Programme	1 015 611	190 172	285 061	1 490 844
Crime Programme	76 074	30 905	99 764	206 743

Location of non-expendable property	*As at 31 December 2005*	*Acquisitions 2006-2007*	*Disposals and adjustments[a] 2006-2007*	*Total as at 31 December 2007*
UNICRI (Crime Programme)	182 012	98 207	(29 705)	250 514
Subtotal	**2 279 530**	**402 109**	**247 027**	**2 928 666**
Country offices				
Project inventory				
Drug Programme	10 804 102	8 612 079	(6 902 388)	12 513 793
Crime Programme	136 257	3 502 627	(208 901)	3 429 983
Office inventory				
Drug Programme	2 807 676	863 128	(380 341)	3 290 463
UNICRI (Crime Programme)	250 334	19 623	(430)	269 527
Subtotal	**13 998 369**	**12 997 457**	**(7 492 060)**	**19 503 766**
Total	**16 277 899**	**13 399 566**	**(7 245 033)**	**22 432 432**

[a] Includes changes in reporting to include special items valued over $500 in accordance with administrative instruction ST/AI/2003/5.

Note 10
Voluntary contributions in kind

1. In addition to cash contributions, the Drug Programme and Crime Programme Funds also received voluntary contributions in kind. The estimated value of voluntary contributions in kind received in the biennium 2006-2007 was $22,603,358. Most of these contributions were related to projects and were provided in the field. In accordance with paragraph 35 of the United Nations system accounting standards, the fair valuation of those contributions was determined on the basis of valuations by donors, unless there were significant differences from other valuation indicators available to UNODC, such as market rates. Conversion to United States dollars was made at the United Nations operational rate of exchange at the time the contribution was received, unless there was a material difference between the local amount provided and the actual market value. Details of in-kind contributions are provided in the table below.

(United States dollars)

Receiving Fund	*2006*	*2007*	*Total*
Crime Programme	884 501	149 967	1 034 468
UNICRI (Crime Programme)	557 025	625 692	1 182 717
Drug Programme	11 399 039	8 957 043	20 356 082
Drug Programme and Crime Programme		30 091	30 091
Total	**12 840 565**	**9 762 793**	**22 603 358**

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